



**NORTH COAST REGIONAL COUNCIL OF PARK DISTRICTS
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006



Mary Taylor, CPA
Auditor of State

**NORTH COAST REGIONAL COUNCIL OF PARK DISTRICTS
LORAIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

North Coast Regional Council of Park Districts
Lorain County
12882 Diagonal Road
LaGrange, Ohio 44050

To the Board of Representatives:

We have audited the accompanying financial statements of the governmental activities and the major fund of the North Coast Regional Council of Park Districts, Lorain County, Ohio (the Council), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and the major fund of the North Coast Regional Council of Park Districts, Lorain County, Ohio, as of December 31, 2007 and December 31, 2006, and the respective changes in cash financial position thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 23, 2008

**North Coast Regional Council of Park Districts
Lorain County**

Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

This discussion and analysis of the North Coast Regional Council of Park Districts, Lorain County, Ohio (the Council) financial performance provides an overall review of the Council's financial activities for the years ended December 31, 2007 and December 31, 2006, within the limitations of the Council's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Council's financial performance.

Highlights

Key highlights are as follows:

For 2007, net assets of governmental activities decreased \$79,810, or 2.3 percent, an insignificant change from the prior year. The Council's general receipts are primarily project income. These receipts represent respectively \$628,974 and 78.6 percent of the total cash received for governmental activities during the year.

For 2006, net assets of governmental activities increased \$763,475, or 28.7 percent, a significant change from the prior year. The Council's general receipts are primarily project income. These receipts represent respectively \$1,519,910 and 93.7 percent of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Council's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Council as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Council as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Council has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Council's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion

North Coast Regional Council of Park Districts
Lorain County
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within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Council did financially during 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Council at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Council's general receipts.

These statements report the Council's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Council's financial health. Over time, increases or decreases in the Council's cash position is one indicator of whether the Council's financial health is improving or deteriorating. When evaluating the Council's financial condition, you should also consider other nonfinancial factors as well such as the reliance on non-local financial resources for operations.

In the statement of net assets and the statement of activities, we express the Council's activities as the following:

Governmental activities. All of the Council's basic services are reported here. Project income finance most of these activities.

Reporting the Council's Most Significant Funds

Fund financial statements provide detailed information about the Council's major fund – not the Council as a whole. The Council establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The Council's only fund is a governmental fund.

Governmental Funds - All of the Council's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Council's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Council's programs. The Council's significant governmental fund is presented on the financial statements in separate columns. The Council's only major governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

North Coast Regional Council of Park Districts
Lorain County
 Management's Discussion and Analysis
 For the Years Ended December 31, 2007 and December 31, 2006
 Unaudited

The Council as a Whole

Table 1 provides a summary of the Council's net assets for 2007 compared to 2006, and 2006 compared to 2005 on a cash basis.

(Table 1)
Net Assets

| | Governmental Activities | | |
|---------------------------|-------------------------|-------------|-------------|
| | 2007 | 2006 | 2005 |
| Assets | | | |
| Cash and Cash Equivalents | \$3,344,708 | \$3,424,518 | \$2,661,043 |
| Total Assets | \$3,344,708 | \$3,424,518 | \$2,661,043 |
| Net Assets | | | |
| Unrestricted | 3,344,708 | 3,424,518 | 2,661,043 |
| Total Net Assets | \$3,344,708 | \$3,424,518 | \$2,661,043 |

As mentioned previously, net assets of governmental activities decreased \$79,810, or 2.3 percent during 2007 and increased \$763,475, or 28.7 percent.

North Coast Regional Council of Park Districts
Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

Table 2 provides a summary of the Council's changes in net assets for 2007 compared to 2006, and 2006 compared to 2005 on a cash basis:

(Table 2)
Changes in Net Assets

| | Governmental Activities | | |
|-----------------------------------|-------------------------|--------------------|--------------------|
| | 2007 | 2006 | 2005 |
| Receipts: | | | |
| Program Receipts: | | | |
| Capital Grants and Contributions | \$628,974 | \$1,519,910 | \$893,060 |
| Total Program Receipts | <u>628,974</u> | <u>1,519,910</u> | <u>893,060</u> |
| General Receipts: | | | |
| Intergovernmental | 0 | 0 | 109,783 |
| Interest | 170,843 | 101,507 | 67,764 |
| Total General Receipts | <u>170,843</u> | <u>101,507</u> | <u>177,547</u> |
| Total Receipts | <u>799,817</u> | <u>1,621,417</u> | <u>1,070,607</u> |
| Disbursements: | | | |
| Contract Services | 849,592 | 838,213 | 2,079,059 |
| Other Services | 0 | 0 | 69,420 |
| Other | 30,035 | 19,729 | 10,296 |
| Total Disbursements | <u>879,627</u> | <u>857,942</u> | <u>2,158,775</u> |
| Increase (Decrease) in Net Assets | (79,810) | 763,475 | (1,088,168) |
| Net Assets, Beginning of the Year | <u>3,424,518</u> | <u>2,661,043</u> | <u>3,749,211</u> |
| Net Assets, End of the Year | <u>\$3,344,708</u> | <u>\$3,424,518</u> | <u>\$2,661,043</u> |

Program receipts represent 78.6 percent in 2007 and 93.7 percent in 2006 of total receipts and are primarily comprised of project income.

General receipts represent 22.4 percent in 2007 and 6.3 percent in 2006 of the Council's total receipts. Council's general receipts consist of interest revenue.

Disbursements for General Government represent the overhead costs of running the Council and the support services provided for the other Council activities.

North Coast Regional Council of Park Districts
Lorain County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

Governmental Activities

If you look at the Statement of Activities on page 8, you will see that the first column lists the major services provided by the Council. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for contract services, which accounts for 96.6 percent and 97.7 percent of all governmental disbursements in 2007 and 2006, respectively. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Council that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

| | Total Cost of Services 2007 | Net Cost of Services 2007 | Total Cost of Services 2006 | Net Cost of Services 2006 |
|-------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Contract Services | \$849,592 | (\$220,618) | \$838,213 | \$681,697 |
| Other | 30,035 | (30,035) | 19,729 | (19,729) |
| Total Expenses | \$879,627 | (\$250,653) | \$857,942 | \$661,968 |

The dependence upon project income receipts is apparent as 71.5 percent and 100 percent of governmental activities are supported through these program receipts for 2007 and 2006, respectively.

The Council's Fund

In 2007 total governmental funds had receipts of \$799,817 and disbursements of \$879,627. General Fund disbursements were less than receipts by \$79,810. The fund had a positive fund balance of \$3,344,708 as of December 31, 2007.

In 2006 total governmental funds had receipts of \$1,621,417 and disbursements of \$857,942. General Fund disbursements were more than receipts by \$763,475. The General Fund had a positive fund balance of \$3,424,518 as of December 31, 2006.

General Fund Budgeting Highlights

The Council's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Capital Assets

Capital Assets

The Council maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

North Coast Regional Council of Park Districts
Lorain County
Management's Discussion and Analysis
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Unaudited

Current Issues

The challenge for all Park District Councils is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on project income.

Contacting the Council's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Council's finances and to reflect the Council's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Denise Gfell, Treasurer, North Coast Regional Council of Park Districts, 12882 Diagonal Road, LaGrange, Ohio 44050.

North Coast Regional Council of Park Districts
Lorain County
Statement of Net Assets - Cash Basis
December 31, 2007

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$3,344,708</u> |
| <i>Total Assets</i> | <u><u>\$3,344,708</u></u> |
| | |
| Net Assets | |
| Unrestricted | <u>3,344,708</u> |
| <i>Total Net Assets</i> | <u><u>\$3,344,708</u></u> |

See accompanying notes to the basic financial statements

North Coast Regional Council of Park Districts

Lorain County

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2007*

| | <u>Cash Disbursements</u> | <u>Program Cash Receipts Capital Grants and Contributions</u> | <u>Net (Disbursements) Receipts and Changes in Net Assets</u> |
|--------------------------------------|-------------------------------|---|---|
| Governmental Activities | | | |
| Contract Services | \$849,592 | \$628,974 | (\$220,618) |
| Other | <u>30,035</u> | <u>0</u> | <u>(30,035)</u> |
| <i>Total Governmental Activities</i> | <u>879,627</u> | <u>628,974</u> | <u>(250,653)</u> |
| General Receipts | | | |
| Interest | | | <u>170,843</u> |
| <i>Total General Receipts</i> | | | <u>170,843</u> |
| Change in Net Assets | | | (79,810) |
| <i>Net Assets Beginning of Year</i> | | | <u>3,424,518</u> |
| <i>Net Assets End of Year</i> | | | <u>\$3,344,708</u> |

See accompanying notes to the basic financial statements

North Coast Regional Council of Park Districts
Lorain County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

| | <u>General</u> |
|--|--------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$3,344,708 |
| <i>Total Assets</i> | <u>\$3,344,708</u> |
| Fund Balances | |
| Unreserved: | |
| Undesignated (Deficit), Reported in: | |
| General Fund | 3,344,708 |
| <i>Total Fund Balances</i> | <u>\$3,344,708</u> |

See accompanying notes to the basic financial statements

**North Coast Regional Council of Park Districts
Lorain County**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007*

| | <u>General</u> |
|--|---------------------------|
| Receipts | |
| Project Income | \$628,974 |
| Interest | <u>170,843</u> |
| <i>Total Receipts</i> | <u>799,817</u> |
| Disbursements | |
| Current: | |
| Contract Services | 849,592 |
| Other | <u>30,035</u> |
| <i>Total Disbursements</i> | <u>879,627</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(79,810)</u> |
| <i>Net Change in Fund Balances</i> | (79,810) |
| <i>Fund Balances Beginning of Year</i> | <u>3,424,518</u> |
| <i>Fund Balances End of Year</i> | <u><u>\$3,344,708</u></u> |

See accompanying notes to the basic financial statements

North Coast Regional Council of Park Districts
Lorain County
Statement of Net Assets - Cash Basis
December 31, 2006

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$3,424,518</u> |
| <i>Total Assets</i> | <u><u>\$3,424,518</u></u> |
| | |
| Net Assets | |
| Unrestricted | <u>3,424,518</u> |
| <i>Total Net Assets</i> | <u><u>\$3,424,518</u></u> |

See accompanying notes to the basic financial statements

North Coast Regional Council of Park Districts

Lorain County

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2006*

| | <u>Cash Disbursements</u> | <u>Program Cash Receipts Capital Grants and Contributions</u> | <u>Net (Disbursements) Receipts and Changes in Net Assets</u> |
|--------------------------------------|-------------------------------|---|---|
| Governmental Activities | | | |
| Contract Services | \$838,213 | \$1,519,910 | \$681,697 |
| Other | <u>19,729</u> | <u>0</u> | <u>(19,729)</u> |
| <i>Total Governmental Activities</i> | <u>857,942</u> | <u>1,519,910</u> | <u>661,968</u> |
| General Receipts | | | |
| Interest | | | <u>101,507</u> |
| <i>Total General Receipts</i> | | | <u>101,507</u> |
| Change in Net Assets | | | 763,475 |
| <i>Net Assets Beginning of Year</i> | | | <u>2,661,043</u> |
| <i>Net Assets End of Year</i> | | | <u>\$3,424,518</u> |

See accompanying notes to the basic financial statements

North Coast Regional Council of Park Districts
Lorain County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

| | <u>General</u> |
|--|---------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$3,424,518</u> |
| <i>Total Assets</i> | <u><u>\$3,424,518</u></u> |
| Fund Balances | |
| Unreserved: | |
| Undesignated (Deficit), Reported in: | |
| General Fund | <u>3,424,518</u> |
| <i>Total Fund Balances</i> | <u><u>\$3,424,518</u></u> |

See accompanying notes to the basic financial statements

**North Coast Regional Council of Park Districts
Lorain County**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

| | <u>General</u> |
|--|---------------------------|
| Receipts | |
| Project Income | \$1,519,910 |
| Interest | <u>101,507</u> |
| <i>Total Receipts</i> | <u>1,621,417</u> |
| Disbursements | |
| Current: | |
| Contract Services | 838,213 |
| Other | <u>19,729</u> |
| <i>Total Disbursements</i> | <u>857,942</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>763,475</u> |
| <i>Net Change in Fund Balances</i> | 763,475 |
| <i>Fund Balances Beginning of Year</i> | <u>2,661,043</u> |
| <i>Fund Balances End of Year</i> | <u><u>\$3,424,518</u></u> |

See accompanying notes to the basic financial statements

**North Coast Regional Council of Park Districts
Lorain County**

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006

1. DESCRIPTION OF THE ENTITY

The North Coast Regional Council of Park Districts (the Council) was established on July 8, 1998, under Ohio Revised Code 167 and is exempt from state sales tax and federal tax. The Council was formed in part to designate sites within its jurisdiction to acquire, improve, restore, enhance, and/or preserve with funds received from the U.S. Army Corps of Engineers, the Ohio EPA and/or developers under the "In Lieu Fee Agreement" (ILFA) program. The ILFA allows the development of certain wetlands provided the developers contribute certain sums of money which are then used as described above.

The Council is a jointly governed organization which currently includes the Lorain County Metropolitan Park District, Erie Metropolitan Parks, Medina County Park District, Wood County Park District, and Sandusky County Park District. Each member shall have two representatives on the Board, consisting of the appointed director of such member and the Chairman of the Board of Park Commissioners.

The Council management believes these financial statements present all activities for which the Council is financially accountable.

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading.

The primary government of the Council consists of all funds, agencies, departments, and offices that are not legally separate from the Council.

Component units are legally separate organizations for which the Council is financially accountable. Component units may also include organizations that are fiscally dependent on the Council in that the Council approves their budget, the issuance of their debt or the levying of their taxes. The Council has no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Council's accounting policies.

A. Basis of Presentation

The Council's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**North Coast Regional Council of Park Districts
Lorain County**

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Council as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balances of the governmental activities of the Council at year end. The statement of activities compares disbursements with program receipts for each of the Council's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Council is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Council's general receipts.

Fund Financial Statements

During the year, the Council segregates transactions related to certain Council functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Council at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Council uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Council are classified as governmental funds.

Governmental Funds

The Council classifies funds financed primarily from project income as governmental funds. The Council's only governmental fund is the General Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of Ohio.

**North Coast Regional Council of Park Districts
Lorain County**

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The Council's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Council's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Council are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2007 and 2006, the Council invested in a sweep repurchase agreement. The sweep repurchase agreement are reported at cost.

E. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Council's cash basis of accounting.

G. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for building repairs and improvements and various purposes indicated by donators.

The Council's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**North Coast Regional Council of Park Districts
Lorain County**

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance Reserves

The Council reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Council has no fund balance reserves.

3. DEPOSITS

Monies held by the Council are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Council treasury. Active monies must be maintained either as cash in the Council treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Council can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**North Coast Regional Council of Park Districts
Lorain County**

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)

3. DEPOSITS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Council, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Custodial credit risk is the risk that in the event of bank failure, the Council will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2007, the Council had a book balance of \$3,344,708. Of the Park District's December 31, 2007 bank balance of \$3,344,708, \$3,244,708 was uninsured and uncollateralized. At December 31, 2006, the Council had a book balance of \$3,424,518. Of the Park District's December 31, 2006 bank balance of \$3,736,010 \$3,636,010 was uninsured and uncollateralized. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Council to a successful claim by the FDIC.

The Council has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Council or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

4. RISK MANAGEMENT

The Council is exposed to various risks of property and casualty losses, and injuries to employees.

The Council belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

**North Coast Regional Council of Park Districts
Lorain County**

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)

4. RISK MANAGEMENT (Continued)

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

| | <u>2007</u> | <u>2006</u> |
|-------------|---------------------|---------------------|
| Assets | \$37,560,071 | \$36,123,194 |
| Liabilities | <u>(17,340,825)</u> | <u>(16,738,904)</u> |
| Net Assets | <u>\$20,219,246</u> | <u>\$19,384,290</u> |

**North Coast Regional Council of Park Districts
Lorain County**

Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)

4. RISK MANAGEMENT (Continued)

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Council's share of these unpaid claims collectible in future years is approximately \$4,058. This payable includes the subsequent year's contribution due if the Council terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

| | |
|------|---------|
| 2005 | \$3,000 |
| 2006 | \$3,529 |
| 2007 | \$3,529 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2006, the Council reimbursed the Medina County Park District for land acquired and equipment originally paid for by the Council for the benefit of the Council. The amounts paid to Medina County Park District was \$300,000. This amount is included in contract – services in the accompanying 2006 financial statements.

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Mary Taylor, CPA

Auditor of State

North Coast Regional Council of Park Districts
Lorain County
12882 Diagonal Road
LaGrange, Ohio 44050

To the Board of Representatives:

We have audited the financial statements of the governmental activities and the major fund of the North Coast Regional Council of Park Districts, Lorain County, Ohio (the Council) as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Council's basic financial statements and have issued our report thereon dated October 23, 2008, wherein, we noted the Park District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Council's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Council's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Council's management in a separate letter dated October 23, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management and the Board of Representatives. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 23, 2008



Mary Taylor, CPA
Auditor of State

NORTH COAST REGIONAL COUNCIL OF PARK DISTRICTS

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2008**