



**SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

**SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

South Euclid-Lyndhurst Recreation Commission
Cuyahoga County
4843 Mayfield Road
Lyndhurst, Ohio 44124

To the Regional Council:

We have audited the accompanying financial statements of the South Euclid-Lyndhurst Recreation Commission, Cuyahoga County, Ohio (SELREC) as of and for the years ended June 30, 2008 and June 30, 2007, which collectively comprise SELREC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of SELREC'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 South Euclid-Lyndhurst Recreation Commission, Cuyahoga County, Ohio, as of June 30, 2008 and June 30, 2007, and the respective changes in cash financial position 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 April 13, 2009, on our consideration of SELREC'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

April 13, 2009

**SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Years Ended June 30, 2008 and June 30, 2007
Unaudited

This discussion and analysis of the financial performance of the South Euclid-Lyndhurst Recreation Commission, Cuyahoga County, Ohio, (SELREC) provides an overall review of SELREC's financial activities for the years ended June 30, 2008 and June 30, 2007 within the limitations of SELREC's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of SELREC's financial performance.

Highlights

Key highlights are as follows:

Net assets of business type activities decreased \$34,553 or 6.90% in 2007 and \$150,159 or 32.19% in 2008.

SELREC's operating receipts are classroom material, tuition and recreation fees. These receipts represent 85.77% and 92.63% of total cash received for 2007 and 2008 respectively.

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 SELREC's cash basis of accounting.

Overview of the Financial Statements

The financial report consists of three parts – management's discussion and analysis, the basic financial statements, and the notes to the financial statements. These statements are organized so the reader can understand the financial position of SELREC. SELREC uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, and financial position. The statements of fund net assets represent the financial position of SELREC. The statements of cash receipts, disbursements, and changes in fund net assets present increases (e.g., receipts) and decreases (e.g., disbursements) in net total assets. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

Financial Analysis of SELREC as a Whole

SELREC is not required to present government-wide financial statements as SELREC is engaged in only business-type activities. Therefore, no condensed financial information derived from governmental-wide financial statements is included in the management's discussion and analysis.

The following tables represent a summary of SELREC's financial information for 2008 and 2007 derived from the statements of fund net assets and the statements of cash receipts, disbursements, and changes in fund net assets.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. SELREC 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 SELREC's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**SOUTH EUCLID-LYNDBURST RECREATION COMMISSION
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Management's Discussion and Analysis
For the Years Ended June 30, 2008 and June 30, 2007
Unaudited
(Continued)

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 within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting SELREC's Most Significant Funds

Fund financial statements provide detailed information about SELREC's major fund. SELREC's fund is classified as proprietary.

Proprietary Funds – When SELREC charges customers for the services it provides, these services are reported in a proprietary fund. When the services are provided to the general public, the activity is reported as an enterprise fund. SELREC's only fund is the enterprise fund.

SELREC

Table 1 provides a summary of SELREC's fund net assets for 2008 and 2007 compared to 2006 on a cash basis:

(Table 1)
Net Assets

	<u>Business-Type Activities</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets			
Equity if Pooled Cash and Cash Equivalents	\$316,248	\$466,407	\$500,960
Total Assets	<u>316,248</u>	<u>466,407</u>	<u>500,960</u>
Net Assets			
Unrestricted	<u>316,248</u>	<u>466,407</u>	<u>500,960</u>
Total Net Assets	<u>\$316,248</u>	<u>\$466,407</u>	<u>\$500,960</u>

As mentioned previously, net assets of business type activities decreased \$34,553 or 6.90% in 2007 and \$150,159 or 32.19% in 2008. The decrease in 2008 is mainly due to SELREC not receiving voluntary contributions from the City of Lyndhurst or the South Euclid-Lyndhurst City School District as in the prior years.

**SOUTH EUCLID-LYNDBURST RECREATION COMMISSION
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Years Ended June 30, 2008 and June 30, 2007
Unaudited
(Continued)

Table 2 reflects the changes in fund net assets in 2008, 2007, and 2006:

Business Type Activities

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Receipts:			
Operating Receipts:			
Classroom Materials and Recreation Fees	\$900,960	\$1,000,268	\$1,129,268
Total Operating Receipts	<u>900,960</u>	<u>1,000,268</u>	<u>1,129,268</u>
Non-Operating Receipts:			
Earnings on Investments	15,049	19,320	13,327
Other Non-Operating Receipts	56,635	135,179	138,006
Proceeds from Sale of Assets	0	11,406	0
Total General Receipts	<u>71,684</u>	<u>165,905</u>	<u>151,333</u>
Total Receipts	<u>972,644</u>	<u>1,166,173</u>	<u>1,280,601</u>
Operating Disbursements:			
Salaries and Benefits	336,932	274,942	242,718
Employees' Retirement and Insurance	102,840	100,927	94,307
Purchased and Contracted Services	584,603	696,835	737,482
Materials and Supplies	25,975	27,401	29,159
Other	70,385	89,961	90,541
Capital Outlay	2,068	10,660	10,792
Total Operating Disbursements	<u>1,122,803</u>	<u>1,200,726</u>	<u>1,204,999</u>
Change in Net Assets	(150,159)	(34,553)	75,602
Net Assets, July 1	<u>466,407</u>	<u>500,960</u>	<u>425,358</u>
Net Assets, June 30	<u>\$316,248</u>	<u>\$466,407</u>	<u>\$500,960</u>

Operating receipts represent 92.63% and 85.77% of the total receipts for 2008 and 2007, respectively. Operating receipts decreased during both years, due mainly to the decrease in enrollment of the before and aftercare program operated by SELREC. Non-operating receipts also decreased significantly in 2008 due to SELREC not receiving voluntary contributions from the City of Lyndhurst or the South Euclid-Lyndhurst City School District as in the prior years.

Capital Assets and Debt Administration

Capital Assets

SELREC maintains a listing of equipment and other assets. Capital assets are not required to be presented in the financial statements.

Debt

SELREC does not have any debt.

**SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Years Ended June 30, 2008 and June 30, 2007
Unaudited
(Continued)

Contacting SELREC's Financial Management

This financial report is designed to provide our readers with a general overview of SELREC's finances and to reflect SELREC'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 Rick Dula, Director, South Euclid-Lyndhurst Recreation Commission, 4843 Mayfield Road, Lyndhurst, Ohio, 44124, or Paul Pestello, Treasurer, South Euclid-Lyndhurst City School District, 5044 Mayfield Road, Lyndhurst, Ohio 44124.

SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY
Statement of Fund Net Assets - Cash Basis
Proprietary Fund
June 30, 2008

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$316,248
<i>Total Assets</i>	<u>\$316,248</u>
Net Assets	
Unrestricted	<u>\$316,248</u>

See accompanying notes to the basic financial statements

SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Fund
June 30, 2008

	Business-Type Activities
	Enterprise Fund
Operating Receipts:	
Classroom Materials and Recreation Fees	\$900,960
<i>Total Operating Receipts</i>	<i>900,960</i>
 Operating Disbursements:	
Salaries and Benefits	336,932
Employees' Retirement and Insurance	102,840
Purchased and Contracted Services	584,603
Materials and Supplies	25,975
Other	70,385
Capital Outlay	2,068
<i>Total Operating Disbursements</i>	<i>1,122,803</i>
<i>Operating Income/(Loss)</i>	<i>(221,843)</i>
 Non-Operating Receipts:	
Earnings on Investments	15,049
Other Non-Operating Receipts	56,635
<i>Total Non-Operating Receipts</i>	<i>71,684</i>
<i>Change in Net Assets</i>	<i>(150,159)</i>
<i>Net Assets Beginning of Year</i>	<i>466,407</i>
<i>Net Assets End of Year</i>	<i>\$316,248</i>

See accompanying notes to the basic financial statements

SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY
Statement of Fund Net Assets - Cash Basis
Proprietary Fund
June 30, 2007

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$466,407
<i>Total Assets</i>	<u>\$466,407</u>
Net Assets	
Unrestricted	<u>\$466,407</u>

See accompanying notes to the basic financial statements

SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis*
Proprietary Fund
June 30, 2007

	Business-Type Activities
	Enterprise Fund
Operating Receipts:	
Classroom Materials and Recreation Fees	\$1,000,268
<i>Total Operating Receipts</i>	1,000,268
 Operating Disbursements:	
Salaries and Benefits	274,942
Employees' Retirement and Insurance	100,927
Purchased and Contracted Services	696,835
Materials and Supplies	27,401
Other	89,961
Capital Outlay	10,660
<i>Total Operating Disbursements</i>	1,200,726
<i>Operating Income/(Loss)</i>	(200,458)
 Non-Operating Receipts:	
Earnings on Investments	19,320
Other Non-Operating Receipts	135,179
Proceeds from Sale of Assets	11,406
<i>Total Non-Operating Receipts</i>	165,905
<i>Change in Net Assets</i>	(34,553)
<i>Net Assets Beginning of Year</i>	500,960
<i>Net Assets End of Year</i>	\$466,407

See accompanying notes to the basic financial statements

**SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
June 30, 2008 and June 30, 2007

1. REPORTING ENTITY

South Euclid-Lyndhurst Recreation Commission, Cuyahoga County, Ohio, (SELREC) is a regional council of governments established by the Cities of South Euclid and Lyndhurst, and the South Euclid-Lyndhurst City School District under authority of Chapter 167 of the Ohio Revised Code. This regional council of governments was created for the purpose of cooperatively establishing, promoting and coordinating community education and recreation. The participants retain an ongoing financial interest and responsibility.

The regional council is comprised of the Mayors of the City of South Euclid and the City of Lyndhurst and the Superintendent of the South Euclid-Lyndhurst City School District. The regional council members each appoint three members to an advisory committee which are SELREC Commissioners.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of SELREC consists of all funds, departments, boards, and agencies that are not legally separate from SELREC. For SELREC, this includes general operations, and community education and recreation related activities of SELREC.

Component units are legally separate organizations for which SELREC is financially accountable. SELREC is financially accountable for an organization if SELREC appoints a voting majority of the organization's governing board and (1) SELREC is able to significantly influence the programs or services performed or provided by the organization; or (2) SELREC is legally entitled to or can otherwise access the organization's resources; SELREC is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or SELREC is obligated for the debt of the organization. SELREC is also financially accountable for any organizations that are fiscally dependent on SELREC in that SELREC approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of SELREC, are accessible to SELREC and are significant in amount to SELREC. SELREC does not have any component units.

SELREC's management believes these financial statements present all activities for which SELREC is financially accountable.

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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. SELREC does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise fund. Following are the more significant of SELREC's accounting policies.

**SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
June 30, 2008 and June 30, 2007
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation and Measurement Focus

SELREC's basic financial statements consist of a statement of fund net assets and a Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets. SELREC uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, and financial position.

B. Fund Accounting

SELREC use funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. SELREC's fund is classified as proprietary.

Proprietary Fund

SELREC classifies its fund, which is financed primarily from user charges for goods or services, as a proprietary fund. SELREC's proprietary fund is classified as an enterprise fund.

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. SELREC's enterprise fund is used to account for the operation of the education and recreation programs of SELREC.

C. Basis of Accounting

SELREC's financial statements are prepared using the cash basis of accounting. Receipts are recorded in SELREC'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.

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 expenses and liabilities) are not recorded in these financial statements.

D. Cash and Investments

The South Euclid-Lyndhurst City School District Treasurer is the fiscal agent of SELREC. All collections are remitted to either the Treasurer or local depository for deposit. All disbursements are made either by check or through internal South Euclid-Lyndhurst School District transfers prepared by the Treasurer, and drawn on deposits held in the name of the South Euclid-Lyndhurst City School District.

To improve cash management, cash received by SELREC is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through SELREC records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal years 2008 and 2007, SELREC invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008 and June 30, 2007.

**SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
June 30, 2008 and June 30, 2007
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements. SELREC does not have any restricted assets.

F. Inventory and Prepaid Items

SELREC reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. 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.

H. 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 SELREC's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

SELREC recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 4 and 5, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

SELREC's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. SELREC did not have any debt during fiscal years 2008 or 2007.

K. 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. SELREC did not have any restricted net assets during fiscal years 2008 or 2007.

**SOUTH EUCLID-LYNDBURST RECREATION COMMISSION
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
June 30, 2008 and June 30, 2007
(Continued)

3. DEPOSITS AND INVESTMENTS

Monies held by SELREC are classified by State statute into three categories.

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

Inactive deposits are public deposits that the SELREC 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 SELREC 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;
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).

**SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
June 30, 2008 and June 30, 2007
(Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

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 SELREC, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2008, SELREC had the following investments:

Investment Type	Carrying Value	Investment Maturity
STAR Ohio	\$310,721	39 days

As of June 30, 2007, SELREC had the following investments:

Investment Type	Carrying Value	Investment Maturity
STAR Ohio	\$509,203	39 days

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, SELREC's investment policy limits investment portfolio maturities to five year or less.

Credit Risk: Standard & Poor's has assigned Star Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, SELREC will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Risk: SELREC places no limit on the amount that may be invested in any one issuer. SELREC invested only in STAR Ohio during 2008 and 2007.

Reconciliation of Investment balance to Net Assets

The South Euclid-Lyndhurst City School District accounts for all SELREC financial activity within the District's general checking account. Each month the District estimates the amount necessary to reconcile SELREC's fund balance with its STAROhio investment balance. In the subsequent month, the District will deposit or withdraw the necessary amount to/from SELREC's STAROhio account. The table below represents the amounts due to/from the District as of June 30.

	2008	2007
STAROhio Investment Balance:	\$ 310,721	\$ 509,203
Due to/from the District:	5,527	(42,796)
Net Assets, June 30:	\$ 316,248	\$ 466,407

**SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
June 30, 2008 and June 30, 2007
(Continued)

4. DEFINED BENEFIT PENSION PLAN

School Employee Retirement System

SELREC contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and SELREC is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of SELREC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2008 and 2007, 9.16 and 10.02 percent, respectively, of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. SELREC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$30,863, \$27,549 and \$27,243 respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

5. POSTEMPLOYMENT BENEFITS

School Employee Retirement System

SELREC participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008 and 2007, 4.18 percent and 3.32 percent, respectively, of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For 2008 and 2007, this amount was \$499 and \$568, respectively.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

SELREC's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$14,084, \$9,128, and \$5,136 respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

**SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
June 30, 2008 and June 30, 2007
(Continued)

5. POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008 and 2007, this actuarially required allocation was 0.66 percent of covered payroll. SELREC's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,224, \$1,815, and \$1,602 respectively. 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

6. RISK MANAGEMENT

Risk Pool Membership

SELREC belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

7. RELATED PARTY TRANSACTIONS

During the fiscal years ended June 30, 2008 and June 30, 2007 SELREC rented space from the South Euclid-Lyndhurst City School District. In fiscal years 2007 and 2008, SELREC paid 4% of the previous years receipts as a fiscal fee to the School District for certain administrative services, as well as custodial and maintenance services. The fiscal fee paid to the School District during fiscal years 2008 and 2007 were \$46,647 and \$51,224, respectively.

**SOUTH EUCLID-LYNDHURST RECREATION COMMISSION
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
June 30, 2008 and June 30, 2007
(Continued)

7. RELATED PARTY TRANSACTIONS (Continued)

In fiscal year 2007 SELREC received contributions totaling \$103,955 from the Cities of South Euclid and Lyndhurst and the South Euclid-Lyndhurst City School District. In fiscal year 2008, SELREC received a contribution of \$37,424 from the City of South Euclid. These contributions are reflected as miscellaneous non-operating cash receipts in the accompanying financial statements.

8. CHANGE IN ACCOUNTING PRINCIPLES

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employer for Postemployment Benefits Other Than Pension Plans*. SELREC has determined that the adoption of this statement did not have an impact on SELREC's financial statements. However, note disclosures related to postemployment benefits have been modified.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

South Euclid-Lyndhurst Recreation Commission
Cuyahoga County
4843 Mayfield Road
Lyndhurst, Ohio 44124

To the Regional Council:

We have audited the financial statements of the South Euclid-Lyndhurst Recreation Commission, Cuyahoga County, Ohio (SELREC) as of and for the years ended June 30, 2008 and June 30, 2007, which collectively comprise SELREC's basic financial statements and have issued our report thereon dated April 13, 2009, wherein, we noted the Government 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 SELREC'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 SELREC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of SELREC'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 SELREC'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 SELREC'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 SELREC'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 certain matters that we reported to SELREC's management in a separate letter dated April 13, 2009.

Compliance and Other Matters

As part of reasonably assuring whether SELREC'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 did note a certain noncompliance or other matter that we reported to SELREC's management in a separate letter dated April 13, 2009.

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



Mary Taylor, CPA
Auditor of State

April 13, 2009



Mary Taylor, CPA
Auditor of State

SOUTH EUCLID-LYNDHURST RECREATION COMMISSION

CUYAHOGA 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
JUNE 23, 2009**