



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

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004**



**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

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

To the Board of Representatives:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 18, 2007

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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 basic financial statements of North Coast Regional Council of Park Districts, Lorain County, Ohio, (the Council of Park Districts) as of and for the year ended December 31, 2005, as listed in the table of contents. For the year ended December 31, 2004, we audited the Council of Park Districts regulatory accounting basis financial statement. These financial statements are the responsibility of the Council of Park Districts' management. Our responsibility is to express an opinion 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 opinion.

As described more fully in Note 2, the Council of Park Districts has prepared the financial statements for the year ending December 31, 2004 using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Council of Park Districts to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Council of Park Districts does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council of Park Districts has elected not to reformat its statements. Since the Council of Park Districts does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council of Park Districts as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the North Coast Regional Council of Park Districts, Lorain County, Ohio, as of December 31, 2004, and its cash receipts and disbursements for the year then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Council of Park Districts to include Management's Discussion and Analysis for the year ended December 31, 2004. The Council of Park Districts has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

For the year ended December 31, 2005, the Council of Park Districts revised its financial presentation comparable to the requirements of Governmental Accounting Standard Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. Also for 2005, the Council of Park Districts implemented Governmental Accounting Standard Board Statement No. 40, *Deposits and Investment Risk Disclosures*.

In our opinion, the financial statements for the year ended December 31, 2005 referred to above present fairly, in all material respects, the respective cash basis 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, 2005, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund thereof for the year 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 18, 2007, on our consideration of the Council of Park Districts 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.



Mary Taylor, CPA  
Auditor of State

April 18, 2007

NORTH COAST REGIONAL COUNCIL OF PARK DISTRICTS  
LORAIN COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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This discussion and analysis of North Coast Regional Council of Park Districts, Lorain County, Ohio (the Council of Park Districts) financial performance provides an overall review of the Council of Park Districts financial activities for the year ended December 31, 2005, within the limitations of the Council of Park Districts modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Council of Park Districts financial performance.

### **Highlights**

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$1,088,168 or 29 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund.

The Council of Park Districts program receipts are primarily mitigation funds. These receipts represent respectively 83.4 percent of the total cash received for 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 of Park Districts modified 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 of Park Districts as a whole.

The notes to the financial statements are an integral part of the government-wide 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 of Park Districts has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Council of Park Districts modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

NORTH COAST REGIONAL COUNCIL OF PARK DISTRICTS  
LORAIN COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Reporting the Council of Park Districts as a Whole**

The statement of net assets and the statement of activities reflect how the Council of Park Districts did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Council of Park Districts at year end. The statement of activities compares cash disbursements with project receipts for each governmental project. Project receipts include payments for meeting the operational or capital requirements of a particular project. General receipts are all receipts. The comparison of cash disbursements with project receipts identifies how each governmental function or draws from the Council of Park Districts general receipts.

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

In the statement of net assets and the statement of activities, we express the Council of Park Districts activities as the following:

Governmental activities – As of this time all of the Council of Park Districts basic services are reported here. Mitigation payments finance most of these activities.

**Reporting the Council of Park Districts Most Significant Funds**

Fund financial statements provide detailed information about the Council of Park Districts major funds – not the Council of Park Districts as a whole. The Council of Park Districts 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 funds of the Council of Park Districts are governmental funds.

Governmental Funds – Currently all of the Council of Park Districts activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Council of Park Districts 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 of Park Districts projects. The Council of Park Districts significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Council of Park Districts major governmental fund is the General Fund. The projects reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Council of Park Districts as a Whole**

Table 1 provides a summary of the Council of Park Districts net assets for 2005 versus 2004.

NORTH COAST REGIONAL COUNCIL OF PARK DISTRICTS  
LORAIN COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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(Table 1)  
**Net Assets**

	Governmental Activities 2005	Governmental Activities 2004
<b>Assets</b>		
Cash and Cash Equivalents	\$2,661,043	\$3,749,211
Total Assets	\$2,661,043	\$3,749,211
<b>Net Assets</b>		
Unrestricted	\$2,661,043	\$3,749,211
Total Net Assets	\$2,661,043	\$3,749,211

As mentioned previously, net assets of governmental activities decreased \$1,088,168 or 29% during 2005. The decrease in cash balance is due mainly to decreases in the General fund.

Table 2 reflects the changes in net assets in 2005. Since the Council of Park Districts did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

NORTH COAST REGIONAL COUNCIL OF PARK DISTRICTS  
LORAIN COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2005
Program Receipts:	
Capital Grants and Contributions	\$893,060
General Receipts:	
Project Income	109,783
Interest	67,764
Total General Receipts	177,547
Total Receipts	1,070,607
Disbursements:	
Contracts-Service	2,079,059
Other Services	69,420
Other	10,296
Total	2,158,775
Change in Net Assets	(1,088,168)
Net Assets, January 1, 2005	3,749,211
Net Assets, December 31, 2005	\$2,661,043

Capital grant and contribution receipts represent 83.4 percent of total receipts and are primarily comprised of mitigation contract payments.

Interest and other miscellaneous make up the balance of the Council of Park Districts general receipts (7.4 percent). Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of the projects run by Council of Park Districts and the support services provided for the other Council of Park Districts activities.

**Governmental Activities**

If you look at the Statement of Activities on page 8 of our annual financial report, you will see that the statement lists the major services provided by the Council of Park Districts with costs. The major disbursements for governmental activities are for contract services, which account for 96.3 percent of all governmental disbursements, respectively.

NORTH COAST REGIONAL COUNCIL OF PARK DISTRICTS  
LORAIN COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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(Table 3)

<b>Governmental Activities</b>		
	Total Cost	Net Cost
	Of Services	of Services
	2005	2005
Governmental Activities		
Contract Services	\$2,079,059	(\$1,185,999)
Other Services	\$69,420	(\$69,420)
Other	10,296	(10,296)
<b>Total Governmental Activities</b>	<b>\$2,158,775</b>	<b>(\$1,265,715)</b>

The dependence upon mitigation payments and other general receipts is apparent as 100 percent of governmental activities are supported through these general receipts.

**The Council of Park Districts Funds**

Total governmental funds had receipts of \$1,070,607 and disbursements of \$2,158,775. General Fund receipts were less than disbursements by \$1,088,168. The fund had a positive fund balance of \$2,661,044 as of December 31, 2005.

**General Fund Budgeting Highlights**

The Council of Park Districts 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 and Debt Administration**

**Capital Assets**

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

**Current Issues**

The challenge for all Council of Park Districts 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 mitigation contract payments. The Board of Directors and Fiscal Officer reviewed our sources of revenue and determined that increases were likely. We then reviewed the disbursement history of the Council of Park Districts.

NORTH COAST REGIONAL COUNCIL OF PARK DISTRICTS  
LORAIN COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Contacting the Council of Park Districts Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Council of Park Districts finances and to reflect the Council of Park Districts 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 Thompson, 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, 2005*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,661,043</u>
<i>Total Assets</i>	<u><u>\$2,661,043</u></u>
<b>Net Assets</b>	
Unrestricted	<u>2,661,043</u>
<i>Total Net Assets</i>	<u><u>\$2,661,043</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, 2005*

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Capital Grants and Contributions	Governmental Activities	Total
<b>Governmental Activities</b>				
Contract Services	\$2,079,059	\$893,060	(\$1,185,999)	(\$1,185,999)
Other Services	69,420	0	(69,420)	(69,420)
Other	10,296	0	(10,296)	(10,296)
<b>Total Governmental Activities</b>	<u>\$2,158,775</u>	<u>\$893,060</u>	<u>(1,265,715)</u>	<u>(1,265,715)</u>
<b>General Receipts</b>				
Project Income			109,783	109,783
Interest			67,764	67,764
<i>Total General Receipts</i>			<u>177,547</u>	<u>177,547</u>
Change in Net Assets			(1,088,168)	(1,088,168)
<i>Net Assets Beginning of Year</i>			<u>3,749,211</u>	<u>3,749,211</u>
<i>Net Assets End of Year</i>			<u>\$2,661,043</u>	<u>\$2,661,043</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 Balance  
Governmental Fund  
December 31, 2005*

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	<u>General</u>	<u>Total Governmental Funds</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$2,661,043	\$2,661,043
<i>Total Assets</i>	<u>\$2,661,043</u>	<u>\$2,661,043</u>
<b>Fund Balances</b>		
Unreserved:		
Undesignated (Deficit), Reported in:		
General Fund	2,661,043	2,661,043
<i>Total Fund Balances</i>	<u>\$2,661,043</u>	<u>\$2,661,043</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 Cash Basis Fund Balance  
Governmental Fund  
For the Year Ended December 31, 2005*

	General	Total Governmental Fund
<b>Receipts</b>		
Project Income	\$1,002,843	\$1,002,843
Interest	67,764	67,764
<i>Total Receipts</i>	1,070,607	1,070,607
<b>Disbursements</b>		
Current:		
Contract Services	2,079,059	2,079,059
Other Services	69,420	69,420
Other	10,296	10,296
<i>Total Disbursements</i>	2,158,775	2,158,775
<i>Net Change in Fund Balance</i>	(1,088,168)	(1,088,168)
<i>Fund Balance Beginning of Year</i>	3,749,211	3,749,211
<i>Fund Balance End of Year</i>	\$2,661,043	\$2,661,043

See accompanying notes to the basic financial statements

**NORTH COAST REGIONAL COUNCIL OF PARK DISTRICTS**

**LORAIN COUNTY**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*General Fund*

*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Project Income	\$992,186	\$992,186	\$1,002,843	\$10,657
Interest	0	0	67,764	67,764
				0
<i>Total receipts</i>	<u>992,186</u>	<u>992,186</u>	<u>1,070,607</u>	<u>78,421</u>
<b>Disbursements</b>				
Current:				
Contract Services	2,079,059	2,079,059	2,079,059	0
Other Services	69,420	69,420	69,420	0
Other	0	0	10,296	(10,296)
<i>Total Disbursements</i>	<u>2,148,479</u>	<u>2,148,479</u>	<u>2,158,775</u>	<u>(10,296)</u>
<i>Net Change in Fund Balance</i>	(1,156,293)	(1,156,293)	(1,088,168)	68,125
<i>Fund Balance Beginning of Year</i>	3,749,211	3,749,211	3,749,211	
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$2,592,918</u>	<u>\$2,592,918</u>	<u>\$2,661,043</u>	<u>\$68,125</u>

See accompanying notes to the basic financial statements

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Governmental Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>General</b>	
<b>Cash Receipts:</b>		
Charges for Services	\$419,559	\$419,559
Interest Income	44,889	44,889
	464,448	464,448
<b>Cash Disbursements:</b>		
Current:		
Contracts - Services	589,586	589,586
Advertising and Printing	116	116
Legal	18,000	18,000
Land Acquisition	938,572	938,572
Other	135,550	135,550
	1,681,824	1,681,824
Total Receipts Over/(Under) Disbursements	(1,217,376)	(1,217,376)
Fund Cash Balances, January 1	4,966,587	4,966,587
<b>Fund Cash Balances, December 31</b>	<b>\$3,749,211</b>	<b>\$3,749,211</b>

*The notes to the financial statements are an integral part of this statement.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. DESCRIPTION OF THE ENTITY**

The North Coast Regional Council of Park Districts (the Council of Park Districts) was established on July 8, 1998, under Ohio Revised Code 167 and is exempt from state sales tax and federal tax. The Council of Park Districts 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 of Park Districts 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 of Park Districts management believes these financial statements present all activities for which the Council of Park Districts 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 of Park Districts consists of all funds, agencies, departments, and offices that are not legally separate from the Council of Park Districts.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

For the year ending December 31, 2004, the Council of Park Districts financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

For the year ending December 31, 2005, the Council of Park Districts financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Council of Park Districts 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 of Park Districts are described in the appropriate section in this note.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Accounting (Continued)**

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.

**B. Basis of Presentation**

The Council of Park Districts 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.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the Council of Park Districts as a whole. These statements include the financial activities of the Council of Park Districts.

The statement of net assets presents the financial condition of the governmental activities of the Council of Park Districts at December 31, 2005. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Council of Park Districts governmental activities. Program Cash Receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operations or capital requirements of particular program. Revenues which are not classified as program revenues are presented as general revenues of the Council of Park Districts, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of the Council of Park Districts.

**Fund Financial Statements** The Council of Park Districts segregates transactions related to certain Council of Park Districts functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Council of Park Districts 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.

**C. Fund Accounting**

The Council of Park Districts uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Council of Park Districts fund is classified as governmental.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

***Governmental Funds***

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following is the Council of Park Districts major governmental fund:

**General Fund** – This fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**D. Budgetary Process**

The General Fund is required to be appropriated by policy. The appropriations resolution is the Board of Representatives authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Board of Representatives. The legal level of control has been established at the fund and function code level. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Representatives.

For control purposes, the Council of Park Districts estimates cash receipts for the year. These estimated receipts, together with the carry-over balances from the prior year, set a limit on the amount the Board of Representatives may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statement reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts of estimated resources at the time final appropriations were enacted by the Board of Representatives.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Representatives during the year.

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the Council of Park Districts is pooled and invested. Individual fund integrity is maintained through the Council of Park Districts records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Cash Equivalents (Continued)**

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 (contra revenue), respectively.

During 2005 and 2004, investments were limited to nonnegotiable certificates of deposit. These investments are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2005 amounted to \$67,764. Interest receipts credited to the General Fund during 2004 amounted to \$44,889.

**F. Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Council of Park Districts has no restricted assets.

**G. Inventory and Prepaid Items**

The Council of Park Districts reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. 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.

**I. 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 donors.

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

**J. Fund Balance Reserves**

The Council of Park Districts 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 of Park Districts has no fund balance reserves.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. CHANGE IN BASIS OF ACCOUNTING**

For fiscal year ending December 31, 2004, the Council of Park Districts reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For fiscal year ending December 31, 2005, the Council of Park Districts has implemented the cash basis of accounting described in Note 2, which revised the Council of Park Districts financial presentation to be comparable to the requirements of Governmental Accounting Standard Board (GASB) Statement No. 34 "Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments". The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

For 2005, the Council of Park Districts implemented GASB Statement No. 40 "Deposits and Investment Risk Disclosures". This statement establishes new disclosure requirements for risks associated with deposits and investments.

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The Council of Park Districts had no encumbrances outstanding at year end December 31, 2005 for the General Fund.

For fiscal year ending December 31, 2004, the Council of Park Districts reported the following budgetary activity.

<u>2004 Budgeted vs. Actual Budgetary Basis Receipts</u>			
	<u>Estimated</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General Fund	<u>\$464,448</u>	<u>\$464,448</u>	<u>\$0</u>

<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General Fund	<u>\$1,681,824</u>	<u>\$1,681,824</u>	<u>\$0</u>

**5. DEPOSITS AND INVESTMENTS**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

Inactive deposits are public deposits that the Park Commissioners have 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.

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

Interim monies held by the Council of Park Districts 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).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. 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 the Council of Park Districts, 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 of Park Districts will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, the Council of Park Districts had a book balance and bank balance of \$2,661,043. Of the Council of Park Districts bank balance, \$2,361,043 was uninsured and uncollateralized. At December 31, 2004, the Council of Park Districts had a book balance and bank balance of \$3,749,211. Of the Council of Park Districts bank balance, \$3,449,211 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 of Park Districts to a successful claim by the FDIC.

The Council of Park Districts 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 of Park Districts 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.

As of December 31, 2005 and December 31, 2004, the Council of Park Districts had no investments.

**6. RISK MANAGEMENT**

The Council of Park Districts is exposed to various risks of property and casualty losses.

The Council of Park Districts 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

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. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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 value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Council of Park Districts share of these unpaid claims collectible in future years is approximately \$6,000. This payable includes the subsequent year's contribution due if the Council of Park Districts terminates participation, as described in the last paragraph below.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

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**

2003	\$2,000
2004	\$2,400
2005	\$3,000

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must 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 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 was incurred or reported prior to the withdrawal.

**7. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2004, the Council of Park Districts reimbursed the Lorain County Metropolitan Park District and the Sandusky County Park District for land acquired and equipment originally paid for by the Park Districts for the benefit of the Council of Park Districts. The amounts paid to Lorain County Metropolitan Park District and the Sandusky County Park District were \$160,000 and \$75,000, respectively. These amounts are included in land acquisition and contract – services in the accompanying 2004 financial statements.

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# 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

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

To the Board of Representatives:

We have audited the basic financial statements of the North Coast Regional Council of Park Districts, Lorain County, Ohio, (the Council of Park Districts) as of and for the year ended December 31, 2005, which collectively comprise the Council of Park Districts basic financial statements and have audited the regulatory accounting basis financial statements of the Council of Park Districts as of and for the year ended December 31, 2004, and have issued our report thereon dated April 18, 2007, wherein we noted for fiscal year ended December 31, 2005, wherein we noted for the fiscal year ended December 31, 2005, the Council of Park Districts revised its financial statement presentation comparable to the requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. 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 of Park Districts internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Council of Park Districts management dated April 18, 2007, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Council of Park Districts 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. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA  
Auditor of State

April 18, 2007



**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  
JUNE 14, 2007**