# ASHTABULA TOWNSHIP PARK COMMISSION
# ASHTABULA COUNTY

## REGULAR AUDIT

## FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

**ASHTABULA TOWNSHIP PARK COMMISSION**
**ASHTABULA COUNTY**

## TABLE OF CONTENTS

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Mary Taylor, CPA
Auditor of State

Ashtabula Township Park Commission
Ashtabula County
1700 East 1st St.
Ashtabula, Ohio 44004

To the Board of Commissioners:

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 an 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 adverse 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

July 22, 2008

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Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT**

Ashtabula Township Park Commission
Ashtabula County
1700 1st Street
Ashtabula, Ohio 44004

To the Board of Commissioners:

We have audited the accompanying financial statements of Ashtabula Township Park Commission, Ashtabula County, (the Park) as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Park's 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. The Park processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Park because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Park has prepared these financial statements 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Park's larger (i.e. major) funds separately. While the Park does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Parks to reformat their statements. The Park has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits.

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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, 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Park as of December 31, 2006, 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 combined fund cash balances and reserves for encumbrances of Ashtabula Township Park Commission, Ashtabula County, as of December 31, 2006, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

During 2006, the Park changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

The Park 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2008, on our consideration of the Park'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.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

July 22, 2008

**ASHTABULA TOWNSHIP PARK COMMISSION**
**ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES**
**ALL GOVERNMENTAL FUND TYPES**
**FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Governmental Fund Types | | | |
|---|---|---|---|---|
| | General | Debt Service | Capital Projects | Totals (Memorandum Only) |
| **Cash Receipts:** | | | | |
| Property and Other Local Taxes | $333,392 | $116,403 | $0 | $449,795 |
| Licenses, Permits and Fees | 10,126 | | | 10,126 |
| Intergovernmental | 490,311 | | | 490,311 |
| Earnings on Investments | 5,248 | | | 5,248 |
| Miscellaneous | 55,252 | | | 55,252 |
| Total Cash Receipts | 894,329 | 116,403 | 0 | 1,010,732 |
| **Cash Disbursements:** | | | | |
| Current Disbursements: | | | | |
| General Government | 340,948 | | | 340,948 |
| Public Works | 187,922 | | | 187,922 |
| Conservation/Recreation | 320,717 | | | 320,717 |
| Capital Outlay | 42,595 | | 129,164 | 171,759 |
| Debt Service: | | | | |
| Redemption of Principal | | 100,000 | | 100,000 |
| Interest and Other Fiscal Charges | | 16,439 | | 16,439 |
| Total Cash Disbursements | 892,182 | 116,439 | 129,164 | 1,137,785 |
| Total Receipts Over/(Under) Disbursements | 2,147 | (36) | (129,164) | (127,053) |
| **Other Financing Receipts / (Disbursements):** | | | | |
| Transfers-In | | 525 | | 525 |
| Transfers-Out | (525) | | | (525) |
| Total Other Financing Receipts / (Disbursements) | (525) | 525 | 0 | 0 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 1,622 | 489 | (129,164) | (127,053) |
| Fund Cash Balances, January 1 | 200,562 | 0 | 130,635 | 331,197 |
| **Fund Cash Balances, December 31** | **$202,184** | **$489** | **$1,471** | **$204,144** |
| Reserve for Encumbrances, December 31 | $609 | $0 | $0 | $609 |

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

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Ashtabula Township Park Commission, Ashtabula County, (the Park) as a body corporate and politic. The probate judge of Ashtabula County appoints a three-member Board of Commissioners to govern the Park. The Commissioners are authorized to acquire, develop, protect, maintain, and improve park lands and facilities. The Commissioners may convert acquired land into forest reserves. The Commissioners are also responsible for activities related to conserving natural resources, including streams, lakes, submerged lands, and swamp lands. The Board may also create parks, parkways, and other reservations and may afforest, develop, improve and protect and promote the use of these assets conducive to the general welfare.

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

### B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Park recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

### C. Fund Accounting

The Park uses fund accounting to segregate cash that are restricted as to use. The Park classifies its funds into the following types:

#### 1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

#### 2. Debt Service Fund

This fund accounts for resources the Park accumulates to pay note or bond debt. The Park had the following significant Debt Service Fund:

*Bond Retirement Fund*: This fund receives property tax money for the repayment of Bonds issued for improvements to the Park.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

#### 3. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Park had the following significant capital project fund:

*Phase II New Office/Meeting Room* – This fund received a promissory note of $400,000 for the purpose of constructing a new Park Office Building.

### D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

#### 1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Park Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

#### 2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

#### 3. Encumbrances

The Ohio Revised Code requires the Park to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 budgetary activity appears in Note 3.

### E. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

### F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

## 2. EQUITY IN POOLED CASH AND INVESTMENTS

The Park maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

| | 2006 |
|---|---|
| Demand deposits | $204,144 |

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

## 3. BUDGETARY ACTIVITY

Budgetary activity for the year ending 2006 follows:

2006 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|---|---|---|---|
| General | $811,314 | $894,329 | $83,015 |
| Debt Service | 116,403 | 116,928 | 525 |
| Capital Projects | 0 | 0 | 0 |
| Total | $927,717 | $1,011,257 | $83,540 |

2006 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|---|---|---|---|
| General | $994,204 | $893,316 | $100,888 |
| Debt Service | 116,403 | 116,439 | (36) |
| Capital Projects | 130,635 | 129,164 | 1,471 |
| Total | $1,241,242 | $1,138,919 | $102,323 |

## 4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Park.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Park.

## 5. DEBT

Debt outstanding at December 31, 2006 was as follows:

| | Principal | Interest Rate |
|---|---|---|
| General Obligation Bonds | $300,000 | 4.375% |

The Park issued Debt in 2005 for the purpose of constructing a new building. The tax anticipation bonds are backed by the full faith and credit of the Park and mature in 2009.

Amortization of the above debt, including interest, is scheduled as follows:

| Year ending December 31: | General Obligation Bonds |
|---|---|
| 2007 | $112,028 |
| 2008 | 107,677 |
| 2009 | 103,278 |
| Total | $322,983 |

## 6. RETIREMENT SYSTEMS

The Park's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006, OPERS members contributed 9% of their gross salaries and the Park contributed an amount equaling 13.7% of participants' gross salaries. The Park has paid all contributions required through December 31, 2006.

## 7. RISK MANAGEMENT

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

The Park insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to $250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding $250,000, up to $1,750,000 per claim and $10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to $350,000 per occurrence, including loss adjustment expenses.

## 7. RISK MANAGEMENT - (Continued)

Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in the aggregate per year. Governments can elect up to $10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

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

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 values. 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 2006 was $1,901,127.

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, 2006 and 2005:

| Casualty Coverage | 2006 | 2005 |
|---|---|---|
| Assets | $30,997,868 | $29,719,675 |
| Liabilities | (15,875,741) | (15,994,168) |
| Retained earnings | $15,122,127 | $13,725,507 |

| Property Coverage | 2006 | 2005 |
|---|---|---|
| Assets | $5,125,326 | $4,443,332 |
| Liabilities | (863,163) | (1,068,245) |
| Retained earnings | $4,262,163 | $3,375,087 |

## 7. RISK MANAGEMENT - (Continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately $14.4 million and $14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately $14.4 million and $14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Park's share of these unpaid claims collectible in future years is approximately $31,632. This payable includes the subsequent year's contribution due if the Park terminates participation, as described in the last paragraph below.

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

| Contributions to PEP | |
|---|---|
| 2005 | $13,654 |
| 2006 | $15,816 |

Note - The Park joined PEP in 2005.

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***

Ashtabula Township Park Commission
Ashtabula County
1700 1st Street
Ashtabula, Ohio 44004

To the Board of Commissioners:

We have audited the financial statements of Ashtabula Township Park Commission, Ashtabula County, (the Park) as of and for the year ended December 31, 2006, and have issued our report thereon dated July 22, 2008, wherein we noted the Park followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Park uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Park. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio 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 Park's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Park's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Park's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Park'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 Park's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Park'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.

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**Compliance and Other Matters**

As part of reasonably assuring whether the Park'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 certain noncompliance or other matters that we reported to the Park's management in a separate letter dated July 22, 2008.

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

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

July 22, 2008

**ASHTABULA TOWNSHIP PARK COMMISSION**

**ASHTABULA 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**
**AUGUST 12, 2008**

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