



**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005-2004



**Auditor of State
Betty Montgomery**

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Historical Parks Commission
Fairfield County
407 East Main Street
Lancaster, Ohio, 43130

To the Board of Park Commissioners:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Historical Parks Commission, Fairfield County, Ohio (the Commission), as of and for the years ended December 31, 2005 and December 31, 2004, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission'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 modified 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 modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Historical Parks Commission, Fairfield County, Ohio, as of December 31, 2005 and December 31, 2004, and the respective changes in modified cash basis financial position and the respective budgetary comparison of the General and FEMA Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Commission revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2006, on our consideration of the Commission'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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 17, 2006

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED**

This discussion and analysis of Historical Park Commission's (the Commission) financial performance provides an overall review of the Commission's financial activities for the years ended December 31, 2005 and December 31, 2004, within the limitations of the Commission's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Commission's financial performance.

Highlights

Key highlights for 2005 were as follows:

Net assets of governmental activities increased \$8,927 or 34 percent as compared to 2004. The primary reason for the increase in cash balances was due to a public assistance grant from the Ohio Department of Public Safety.

The Commission's general receipts are primarily intergovernmental receipts. These receipts represent 28 percent of the total cash received for governmental activities during the year. Program receipts were enhanced in 2005 by Issue II and FEMA funding for the purchase of 72 acres of land.

Key highlights for 2004 were as follows:

Net assets of governmental activities decreased \$2,605 or 9 percent. The primary reason for the decrease was due to employee benefits for health insurance.

The Commission's general receipts are primarily intergovernmental. These receipts represent 83 percent of the total cash received for the governmental activities during the year.

Using the Basic Financial Statements

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Commission as a way to segregate money whose use is restricted to a particular specified purpose. These statements present the Commission's funds in separate columns.

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

Basis of Accounting

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

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

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.

Reporting the Commission as a Whole

The statement of net assets and the statement of activities reflect how the Commission did financially during 2005 and 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Commission at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Commission's general receipts.

These statements report the Commission's cash position and the changes in cash position. Within the limitations of the modified cash basis of accounting, these changes are one way to measure the Commission's financial health. Over time, increases or decreases in the Commission's cash position is one indicator of whether the Commission's financial health is improving or deteriorating. When evaluating the Commission's financial condition, other non-financial factors should be considered as well, the extent of the Commission's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources.

In the statement of net assets and the statement of activities, all of the Commission's activities are reported as governmental. The Commission has no business-type activities.

Reporting the Commission's Most Significant Funds

Fund financial statements provide detailed information about the Commission's major funds - not the Commission as a whole. The Commission 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. All of the Commission's funds are governmental.

Governmental Funds - The Commission's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Commission's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Commission's programs. The Commission's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activities or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Commission major governmental funds are General, FEMA, and Issue II Funds. Because the Commission reports on a modified cash basis, the total of the governmental funds matches governmental activities.

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

The Commission as a Whole

Table 1 provides a summary of the Commission's net assets for 2005 compared to 2004 and 2003 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2005	2004	2003
Assets			
Cash and Cash Equivalents	\$ 35,066	\$ 26,139	\$ 28,744
Total Assets	35,066	26,139	28,744
Net Assets			
Restricted for:			
Other Purposes	16,186	1,436	1,436
Unrestricted	18,880	24,703	27,308
Total Net Assets	\$ 35,066	\$ 26,139	\$ 28,744

For 2005, net assets of governmental activities increased \$ 8,927 or 34 percent. The primary reason for the increase in cash balances was due to a public assistance grant from the Ohio Department of Public Safety.

For 2004, net assets of governmental activities decreased \$2,605 or 9 percent. The primary reason for the decrease was due to employee benefits for health insurance.

Table 2 reflects the changes in net assets in 2005 and 2004. Since the Commission did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented for 2004 compared with 2003.

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

(Table 2)

	Governmental Activities	
	2005	2004
Receipts:		
Program Receipts:		
Charges for Services	\$8,807	\$20,281
Operating Grants and Contributions	0	0
Capital Grants and Contributions	\$265,375	\$0
Total Program Receipts	<u>274,182</u>	<u>20,281</u>
General Receipts:		
Intergovernmental	95,905	98,470
Unrestricted Gifts and Donations	3,085	2,750
Sale of Assets	3,100	0
Miscellaneous	2,184	537
Total General Receipts	<u>104,274</u>	<u>101,757</u>
Total Receipts	<u>378,456</u>	<u>122,038</u>
Disbursements:		
General Government:		
Personal Services	30,000	30,000
Fringe Benefits	16,809	17,839
Materials and Supplies	9,561	11,577
Contractual Services	58,954	52,473
Total General Government	<u>115,324</u>	<u>111,889</u>
Capital Outlay	<u>254,205</u>	<u>12,754</u>
Total Disbursements	<u>369,529</u>	<u>124,643</u>
Increase (Decrease) in Net Assets	8,927	(2,605)
Net Assets Beginning of Year	<u>26,139</u>	<u>28,744</u>
Net Assets End of Year	<u>\$35,066</u>	<u>\$26,139</u>

Program receipts represent 72 percent of the Commission's total receipts during 2005. Program receipts are comprised of recreation fees and fines, rent, restricted intergovernmental funding from Issue II and FEMA. General receipts represent 28 percent of the Commission's total receipts. Intergovernmental receipts represent 92 percent of total general receipts.

Program receipts represent 17 percent of the Commission's total receipts during 2004. Program receipts are comprised of recreation fees and fines. General receipts represent 83 percent of the Commission's total receipts during 2004. Intergovernmental receipts represent 97 percent of total general receipts.

Disbursements for General Government represent the overhead costs of running the Commission. General Government disbursements represented 31 percent and 90 percent of total disbursements during 2005 and 2004. General government disbursements are comprised of employee wages, fringe benefits, materials and supplies, and contractual services.

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

Governmental Activities

If you look at the Statement of Activities on pages 10 and 16, you will see that the first column lists the major services provided by the Commission. The next column identifies the costs of providing these services. In 2005, the major program disbursements for governmental activities were for capital outlay, which accounted for 69 percent of all disbursements. In 2004, the major program disbursements for governmental activities were for general government, which accounted for 90 percent of all disbursements. The columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Commission that are used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2005	2005	2004	2004
General Government:				
Personal Services	\$30,000	(\$27,709)	\$30,000	(\$25,119)
Fringe Benefits	16,809	(15,525)	17,839	(14,936)
Materials and Supplies	9,561	(8,831)	11,577	(9,693)
Contractual Services	58,954	(43,282)	52,473	(43,935)
Capital Outlay	254,205	0	12,754	(10,679)
Total	\$369,529	(\$95,347)	\$124,643	(\$104,362)

In 2005, 74 percent of disbursements were supported by program receipts. The remaining 26 percent were supported by general receipts.

In 2004, 16 percent of disbursements were supported by program receipts. The dependence upon intergovernmental receipts is apparent as 84% percent of governmental activities are supported through general receipts.

The Commission's Funds

In 2005, total governmental funds had receipts of \$378,456 and disbursements of \$369,529. Governmental funds' balances increased \$8,927 primarily as result of a public assistance grant from the Ohio Department of Public Safety. The fund balance in the General Fund decreased \$5,823.

In 2004, total governmental funds had receipts of \$122,038 and disbursements of \$124,643. The fund balance of the General Fund decreased \$2,605 as the result of employee benefits for health insurance.

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

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

The Commission amended budgeted receipts in the General Fund to reflect changing circumstances. During 2005, actual receipts of \$113,081 were \$5,134 more than anticipated due to an increase in intergovernmental receipt collections and the sale of assets. During 2004, actual receipts \$122,038 were \$3,502 more than anticipated due to an increase in recreation fees.

Actual disbursements of \$120,988 were \$4,986 less than the final budget in 2005 and actual disbursements were \$10,601 less than the final budget in 2004.

Capital Assets and Debt Administration

Capital Assets

The Commission does not currently report its capital assets and infrastructure.

Debt

At December 31, 2005, the Commission's outstanding debt included \$71,130 in a loan to fund construction of the Cross Mound Park footbridge and the maintenance of county parks. For further information regarding the Commission's debt, refer to Note 10 to the basic financial statements.

Contacting the Commission's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Commission's finances and to reflect the Commission'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 Dave Fey, Director/Secretary, 407 East Main Street, Lancaster, Ohio 43130.

HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$35,066
<i>Total Assets</i>	<u>35,066</u>
Net Assets	
Restricted for:	
Other Purposes	16,186
Unrestricted	<u>18,880</u>
<i>Total Net Assets</i>	<u>\$35,066</u>

See accompanying notes to the basic financial statements

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	FEMA Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$18,880	\$14,750	\$1,436	\$35,066
<i>Total Assets</i>	<u>18,880</u>	<u>14,750</u>	<u>1,436</u>	<u>35,066</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	5,664	0	0	5,664
Undesignated (Deficit), Reported in:				
General Fund	13,216	0	0	13,216
Special Revenue Funds	<u>0</u>	<u>14,750</u>	<u>1,436</u>	<u>16,186</u>
<i>Total Fund Balances</i>	<u>\$18,880</u>	<u>\$14,750</u>	<u>\$1,436</u>	<u>\$35,066</u>

See accompanying notes to the basic financial statements

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	FEMA Fund	Issue II Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Intergovernmental	\$95,905	\$11,170	\$253,266	\$0	\$360,341
Recreation Fees and Fines	5,972	0	0	0	5,972
Gifts and Donations	3,085	0	0	0	3,085
Rent	2,835	0	0	0	2,835
Miscellaneous	2,184	0	939	0	3,123
<i>Total Receipts</i>	<u>109,981</u>	<u>11,170</u>	<u>254,205</u>	<u>0</u>	<u>375,356</u>
Disbursements					
Current:					
Personal Services	30,000	0	0	0	30,000
Fringe Benefits	16,809	0	0	0	16,809
Materials and Supplies	9,561	0	0	0	9,561
Contractual Services	58,954	0	0	0	58,954
Capital Outlay	0	0	254,205	0	254,205
<i>Total Disbursements</i>	<u>115,324</u>	<u>0</u>	<u>254,205</u>	<u>0</u>	<u>369,529</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,343)</u>	<u>11,170</u>	<u>0</u>	<u>0</u>	<u>5,827</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	3,100	0	0	0	3,100
Advances In	0	3,580	0	0	3,580
Advances Out	(3,580)	0	0	0	(3,580)
<i>Total Other Financing Sources (Uses)</i>	<u>(480)</u>	<u>3,580</u>	<u>0</u>	<u>0</u>	<u>3,100</u>
<i>Net Change in Fund Balances</i>	<u>(5,823)</u>	<u>14,750</u>	<u>0</u>	<u>0</u>	<u>8,927</u>
<i>Fund Balances Beginning of Year</i>	<u>24,703</u>	<u>0</u>	<u>0</u>	<u>1,436</u>	<u>26,139</u>
<i>Fund Balances End of Year</i>	<u>\$18,880</u>	<u>\$14,750</u>	<u>\$0</u>	<u>\$1,436</u>	<u>\$35,066</u>

See accompanying notes to the basic financial statements

**HISTORICAL PARKS COMMISSION
FAIRFIELD 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		
Receipts				
Intergovernmental	\$100,000	\$92,000	\$95,905	\$3,905
Recreation Fees and Fines	0	5,947	5,972	25
Gifts and Donations	0	3,800	3,085	(715)
Rent	0	3,500	2,835	(665)
Miscellaneous	0	2,700	2,184	(516)
<i>Total receipts</i>	<u>100,000</u>	<u>107,947</u>	<u>109,981</u>	<u>2,034</u>
Disbursements				
Current:				
Personal Services	30,000	30,000	30,000	0
Fringe Benefits	19,380	19,380	16,809	2,571
Materials and Supplies	8,600	13,600	13,161	439
Contractual Services	46,494	62,994	61,018	1,976
<i>Total Disbursements</i>	<u>104,474</u>	<u>125,974</u>	<u>120,988</u>	<u>4,986</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,474)</u>	<u>(18,027)</u>	<u>(11,007)</u>	<u>7,020</u>
Other Financing Sources (Uses)				
Sale of Assets	0	0	3,100	3,100
Advances Out	0	(3,580)	(3,580)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(3,580)</u>	<u>(480)</u>	<u>3,100</u>
<i>Net Change in Fund Balance</i>	(4,474)	(21,607)	(11,487)	10,120
<i>Fund Balance Beginning of Year</i>	20,229	20,229	20,229	0
Prior Year Encumbrances Appropriated	4,474	4,474	4,474	0
<i>Fund Balance End of Year</i>	<u>\$20,229</u>	<u>\$3,096</u>	<u>\$13,216</u>	<u>\$10,120</u>

See accompanying notes to the basic financial statements

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FEMA FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$11,170	\$11,170	\$11,170	\$0
<i>Total Receipts</i>	<u>11,170</u>	<u>11,170</u>	<u>11,170</u>	<u>0</u>
Disbursements				
Current:				
Contractual Services	14,750	14,750	0	14,750
<i>Total Disbursements</i>	<u>14,750</u>	<u>14,750</u>	<u>0</u>	<u>14,750</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,580)</u>	<u>(3,580)</u>	<u>11,170</u>	<u>14,750</u>
Other Financing Sources				
Advances In	3,580	3,580	3,580	0
<i>Total Other Financing Sources</i>	<u>3,580</u>	<u>3,580</u>	<u>3,580</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	14,750	14,750
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$14,750</u></u>	<u><u>\$14,750</u></u>

See accompanying notes to the basic financial statements

HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2004

	Governmental Activities
Assets	
Cash and Cash Equivalents	<u>\$26,139</u>
<i>Total Assets</i>	<u><u>26,139</u></u>
Net Assets	
Restricted for:	
Other Purposes	1,436
Unrestricted	<u>24,703</u>
<i>Total Net Assets</i>	<u><u>\$26,139</u></u>

See accompanying notes to the basic financial statements

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government					
Personal Services	\$30,000	\$4,881	\$0	\$0	(\$25,119)
Fringe Benefits	17,839	2,903	0	0	(14,936)
Materials and Supplies	11,577	1,884	0	0	(9,693)
Contractual Services	52,473	8,538	0	0	(43,935)
Capital Outlay	12,754	2,075	0	0	(10,679)
<i>Total</i>	\$124,643	\$20,281	\$0	\$0	(\$104,362)
			General Receipts		
			Intergovernmental	98,470	
			Unrestricted Gifts and Donations	2,750	
			Miscellaneous	537	
			<i>Total General Receipts</i>	101,757	
			Change in Net Assets		(2,605)
			<i>Net Assets Beginning of Year</i>		28,744
			<i>Net Assets End of Year</i>		\$26,139

See accompanying notes to the basic financial statements

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$24,703	\$1,436	\$26,139
<i>Total Assets</i>	<u>24,703</u>	<u>1,436</u>	<u>26,139</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	4,474	0	4,474
Undesignated (Deficit), Reported in:			
General Fund	20,229	0	20,229
Special Revenue Funds	<u>0</u>	<u>1,436</u>	<u>1,436</u>
<i>Total Fund Balances</i>	<u>\$24,703</u>	<u>\$1,436</u>	<u>\$26,139</u>

See accompanying notes to the basic financial statements

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Intergovernmental	\$98,470	\$0	\$98,470
Recreation Fees and Fines	20,281	0	20,281
Gifts and Donations	2,750	0	2,750
Miscellaneous	537	0	537
<i>Total Receipts</i>	<u>122,038</u>	<u>0</u>	<u>122,038</u>
Disbursements			
Current:			
Personal Services	30,000	0	30,000
Fringe Benefits	17,839	0	17,839
Materials and Supplies	11,577	0	11,577
Contractual Services	52,473	0	52,473
Capital Outlay	12,754	0	12,754
<i>Total Disbursements</i>	<u>124,643</u>	<u>0</u>	<u>124,643</u>
<i>Net Change in Fund Balances</i>	(2,605)	0	(2,605)
<i>Fund Balances Beginning of Year</i>	<u>27,308</u>	<u>1,436</u>	<u>28,744</u>
<i>Fund Balances End of Year</i>	<u><u>\$24,703</u></u>	<u><u>\$1,436</u></u>	<u><u>\$26,139</u></u>

See accompanying notes to the basic financial statements

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$100,000	\$100,000	\$98,470	(\$1,530)
Recreation Fees and Fines	0	16,997	20,281	3,284
Gifts and Donations	0	1,288	2,750	1,462
Miscellaneous	0	251	537	286
<i>Total Receipts</i>	<u>100,000</u>	<u>118,536</u>	<u>122,038</u>	<u>3,502</u>
Disbursements				
Current:				
Personal Services	30,000	30,000	30,000	0
Fringe Benefits	6,000	19,800	17,839	1,961
Materials and Supplies	10,500	13,500	12,177	1,323
Contractual Services	50,182	61,682	56,347	5,335
Capital Outlay	5,000	14,736	12,754	1,982
<i>Total Disbursements</i>	<u>101,682</u>	<u>139,718</u>	<u>129,117</u>	<u>10,601</u>
<i>Net Change in Fund Balance</i>	(1,682)	(21,182)	(7,079)	14,103
<i>Fund Balance Beginning of Year</i>	25,626	25,626	25,626	0
Prior Year Encumbrances Appropriated	<u>1,682</u>	<u>1,682</u>	<u>1,682</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$25,626</u></u>	<u><u>\$6,126</u></u>	<u><u>\$20,229</u></u>	<u><u>\$14,103</u></u>

See accompanying notes to the basic financial statements

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**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY, OHIO**

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

NOTE 1 - REPORTING ENTITY

The Historical Parks Commission, Fairfield County, Ohio (the Commission) was created in 1981 by the Fairfield County Probate Court under Chapter 1545 of the Ohio Revised Code. The Commission is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Commission is operated by a Board of Park Commissioners consisting of three members appointed by the Probate Judge of Fairfield County. The Board exercises total control over the operation of the Commission, including budgeting, appropriation, and contracting. The Board appoints the Director/Secretary to operate the Commission. The Fairfield County Auditor is the Fiscal Officer for the Commission.

The Board may also create parks, parkways, and other reservations and may afforest, develop, improve and protect and promote the use of same as the Board deems conducive to the general welfare.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Commission. The Commission provides park operations and acquires lands for conversion into forest reserves, and for the conservation of the natural resources, including streams, lakes, submerged lands and swamp lands.

B. Public Entity Risk Pool and Related Organization

The Commission participates in certain organizations that are defined as a public entity risk pool and related organization. Notes 11 and 12 to the financial statements provide additional information for these entities.

These organizations are:

- 1) County Risk Sharing Authority, Inc.
- 2) Fairfield County

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements, Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Commission's accounting policies.

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Commission as a whole. These statements include the financial activities of the Commission. The statements distinguish between those activities of the Commission and are governmental. Governmental activities generally are financed through intergovernmental revenues or other non-exchange transactions.

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

Fund Financial Statements

During the year, the Commission segregates transactions related to certain Commission functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Commission 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. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

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

Governmental Funds

The Commission classifies funds financed primarily from intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Commission's major governmental funds are the General, FEMA, and Issue II Funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Commission for any purpose provided it is expended or transferred according to the general laws of Ohio. The other governmental funds of the Commission account for grants and other resources whose use is restricted to a particular purpose.

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

As a result of the use of this modified 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. Budgetary Process

The Commission, although not required by Ohio Law, adopts a budget annually. The major documents prepared are the tax budget, the certificate of estimated resources, and appropriations, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Commission may appropriate.

Appropriations are the Commission's authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Commission. The legal level of control has been established at the fund/function/object level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Commission's Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Commission.

Appropriations are subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund 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 Commission during the year.

E. Cash and Cash Equivalents

As required by the Ohio Revised Code, the Fairfield County Treasurer holds the Commission's cash as custodian for the Commission. The Commission's assets are held in the County's cash and investment pool, and are valued at the Treasurer's reported carrying amount.

F. Restricted Assets

Cash and cash equivalents 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 Commission had no restricted assets at December 31, 2005.

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory and Prepaid Items

The Commission 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. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Commission recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Commission's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

L. 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 expenditures for specified purposes.

M. Fund Balance Reserves

The Commission reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balances indicates that portion of fund balance which is available for appropriation in future periods. Fund Balance reserves have been established for encumbrances.

NOTE 3 - CHANGE IN REPORTING PRESENTATION

For the years ended December 31, 2003 and December 31, 2002, the Commission reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For the year ended December 31, 2004 the Commission has implemented the modified cash basis of accounting described in Note 2. 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.

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY, OHIO**

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

NOTE 4 - COMPLIANCE

On behalf payments from the Ohio Public Works Commission (OPWC) and the Ohio Department of Natural Resources (ODNR) were not included in the Commission's accounting ledgers, in the Commission's estimated resources or appropriations, or in the Fiscal Agent's ledgers contrary to Section 5705.42, Ohio Rev. Code.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law 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 - Budgetary Basis for the General Fund and FEMA Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). Encumbrances outstanding at year end (budgetary basis) amounted to \$5,664 for the General Fund at December 31, 2005, and \$4,474 for the General Fund at December 31, 2004.

NOTE 6 - FUNDING

The Board of County Commissioners has the responsibility for funding the Commission in accordance with one of the following methods:

1. By a levy submitted to the Board of Commissioners under Division (A) of Section 5705.19 of the Ohio Rev. Code and approved by the electors of the Commission;
2. In proportion to the taxable property of each county, as shown on the tax duplicate;
3. Undivided local government and undivided local government revenue assistance funding;
4. Collections of fines from traffic violators through the Fairfield County Municipal Courts; and
5. In any combination of the above.

NOTE 7 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft of, damage to or destruction of assets, and natural disasters. By contracting with the County Risk Sharing Authority (CORSA) for liability and property insurance, the Commission has addressed these various types of risk.

The CORSA program has a \$2,500 deductible. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence, \$5,000,000 umbrella, and no annual aggregate.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Commission participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY, OHIO**

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2005 and December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Commission's contribution rate for pension benefits for 2005 and 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Commission's required contributions for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003 were \$4,065, \$4,065, and \$4,065 respectively; 92 percent has been contributed for 2005, and 100 percent has been contributed for 2004 and 2003.

NOTE 9 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY, OHIO**

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

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Commission contributions for 2005 and 2004 which were used to fund postemployment benefits were \$1,200 each year. The actual contribution and the actuarially required contribution amounts are the same. The actuarial values of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Employee and Employer contribution rates increased as of January 1, 2006 which allows additional funds to be allocated to the Health Care Plan.

NOTE 10 - DEBT

The Fairfield County Commissioners made an interest-free loan to the Commission totaling \$71,130 in 1996. These monies were used to fund the construction of the Cross Mound Park footbridge and the maintenance of county parks. The loan is to be repaid with Commission resources when such resources become available. To date, the Commission has not made any payment on this loan nor has the County requested payment.

NOTE 11 - PUBLIC ENTITY RISK POOL

County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a shared risk pool among forty-one counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Members agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. The coverage includes comprehensive general liability, automobile liability, certain property insurance, and public officials' errors and omissions liability insurance.

Each member has one vote on all matters requiring a vote, which will be cast by a designated representative. An elected board of not more than nine trustees manages the affairs of the Corporation. Only County Commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the members' obligations to make coverage payments to CORSA. The participating members have no responsibility for the payment of the certificates. The Commission does not have an equity interest in CORSA. The Commission's payment for insurance to CORSA in 2005 was \$9,131.

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY, OHIO**

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

NOTE 12 - RELATED ORGANIZATION

Fairfield County

The Commission is a related organization of Fairfield County. The County has no ability to impose its will on the Commission, nor is a burden/benefit relationship in existence. The Commission is its own budgeting and taxing authority. The County Auditor serves as the fiscal agent for the Commission; therefore, the Commission's financial activity is reflected in a County Agency fund.

NOTE 13 - SUBSEQUENT EVENT

On March 13, 2006, the Commission was awarded a capital grant through the Ohio Public Works Commission in the amount of \$471,555 for the Clean Ohio Conservation project. The total project is estimated at \$674,000 which will allow the Commission to acquire 130 acres along the Clear Creek Riparian Corridor in Madison Township.



**Auditor of State
Betty Montgomery**

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

Historical Parks Commission
Fairfield County
407 East Main Street
Lancaster, Ohio 43130

To the Board of Park Commissioners:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Historical Parks Commission, Fairfield County, Ohio (the Commission) as of and for the years ended December 31, 2005 and December 31, 2004, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 17, 2006, wherein we noted the Commission revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. 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 Commission's internal control over financial reporting to determine our auditing procedures in order to express our opinions 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 Commission's management dated October 17, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Commission'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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001.

Historical Parks Commission
Fairfield County
Independent Accountants' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and Board of Park Commissioners.
It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 17, 2006

**HISTORICAL PARKS COMMISSION
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2005-001

Ohio Rev. Code Chapter 5705 sets forth a scheme that provides for a uniform budget and appropriation process in order to assure that a governmental entity expends no more than it expects to receive in revenue. In order to accomplish this end, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded according to Ohio Rev. Code Section 5705.42. Thus a mechanism is still required to account for receipts and expenditures. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation as stated in Ohio Rev. Code Section 5705.40. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action per Ohio Rev. Code Section 5705.38.

In 2005, the Commission benefited from grants from the Ohio Public Works Commission (OPWC) and the Ohio Department of Natural Resources (ODNR) for the purchase of 72 acres of property. The OPWC grant was through Issue II funding. These agencies made payments directly to the seller of the property on behalf of the Commission. The on-behalf payments were not included in the Commission's accounting ledgers, in the Commission's estimated resources or appropriations, or in the Fiscal Agent's ledgers. The activity was included in the financial statements as prepared by the Commission's Fiscal Agent.

Auditor of State Bulletins 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Commission applies for a project and has administrative responsibilities. These amounts were not appropriated causing expenditures to exceed appropriations in the Issue II Fund by \$254,205, contrary to Ohio Rev. Code Section 5705.41(B), which requires all expenditures to be appropriated.

We recommend the Commission include all payments made on their behalf in the Commission's accounting ledgers and in budgetary estimates. We also recommend the Director inform the Fiscal Agent of all on behalf grants, so the activity can be properly reflected in the records of the Fiscal Agent.

Officials' Response: In his 2000 State of the State address, Governor Taft announced that he would seek public funding for \$400 million to preserve farmland, create trails, clean brownfields and promote the setting aside of greenspace for Ohioans. Through House Bill 3, the issue known as the Clean Ohio Fund was placed before Ohio voters in the November 2000 election as State Issue 1. Voters approved issue 1 and the Ohio Department of Public Works was assigned to administer the "Green Space Conservation" portion of the funds. Through nearly 18 months of grant writing, planning and negotiations the Parks were awarded a grant to purchase 72 acres of land along the Clear Creek riparian corridor in Madison Township, Fairfield County. Since the grant required a matching fund commitment and the Parks had no available funds for the match, the Ohio Department of Natural Resources provided the required funds. As with most real estate transactions the funds were deposited by ODPW and ODNR in an escrow account to be paid directly to the seller, consultants, surveyor and legal counsel by the escrow company. Since the funds were not paid directly to the Park District, I believed that it was not necessary to show them as a receipt. What is the point of showing funds which were never awarded to the Parks, as a part of the Parks' certificate, much less showing an expenditure to purchase land for which there were no funds available? Even as it may be argued that the funds were paid by ODPW for the purchase of land to be given to the Parks, the Parks are limited by deed restrictions in so far as what can be done with the land and its disposal should the Park District fail. We are granted no rights to dispose of or alter the land much less profit from its sale. Is the land a Parks' asset or an ODPW asset?

It is for the above reasons that I feel that the Fairfield County Historical Parks are being unfairly cited for violating Ohio Law.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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HISTORIAL PARKS COMMISSION

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 30, 2006**