



**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004



Mary Taylor, CPA
Auditor of State

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

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Mary Taylor, CPA
Auditor of State

Lorain County Metropolitan Park District
Lorain County
12882 Diagonal Road
LaGrange, Ohio 44050

To the Board of Park 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 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

Lorain County Metropolitan Park District
Lorain County
12882 Diagonal Road
LaGrange, Ohio 44050

To the Board of Park Commissioners:

We have audited the accompanying basic financial statements of Lorain County Metropolitan Park District, Lorain County, Ohio, (the Park District) 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 Park District's regulatory accounting basis financial statement. These financial statements are the responsibility of the Park District'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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Park District 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 Park District 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 Park District 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 Park District has elected not to reformat its statements for the year ended December 31, 2004. Since the Park District 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 Park District 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 Lorain County Metropolitan Park District, 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 Park District to include Management's Discussion and Analysis for the year ended December 31, 2004. The Park District 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 Park District 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*. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements for the year ended December 31, 2005 referred to above present fairly, in all material respects, the cash basis financial position of the governmental activities and the major fund of the Lorain County Metropolitan Park District, Lorain County, Ohio, as of December 31, 2005, and the 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 Park District'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.



Mary Taylor, CPA
Auditor of State

April 18, 2007

LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$534,334 or 16.3 percent, an insignificant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund.

The Park District's general receipts are primarily property and other local taxes. These receipts represent respectively 59 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 Park District'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 Park District 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 Park District 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 Park District's 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.

LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Park District as a Whole

The statement of net assets and the statement of activities reflect how the Park District 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 Park District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or draws from the Park District's general receipts.

These statements report the Park District's 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 Park District's financial health. Over time, increases or decreases in the Park District's cash position is one indicator of whether the Park District's financial health is improving or deteriorating. When evaluating the Park District's financial condition, you should also consider other nonfinancial factors as well, such as the Park District's property tax base, the condition of the Park District's capital assets and infrastructure, the extent of the Park District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and other taxes.

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

Governmental activities. As of this time all of the Park District's basic services are reported here. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Park District's Most Significant Fund

Fund financial statements provide detailed information about the Park District's major fund – not the Park District as a whole. The Park District only has one fund.

Governmental Fund – Currently all of the Park District's activities are reported in a governmental fund. The governmental fund financial statements provide a detailed view of the Park District'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 Park District's programs. The Park District's significant governmental fund is the General Fund. The programs reported in the governmental fund are closely related to those reported in the governmental activities section of the entity-wide statements.

The Park District as a Whole

Table 1 provides a summary of the Park District's net assets for 2005 and 2004.

LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 1)
Net Assets

| | Governmental Activities 2005 | Governmental Activities 2004 |
|---------------------------|------------------------------------|------------------------------------|
| Assets | | |
| Cash and Cash Equivalents | \$3,806,063 | \$3,271,729 |
| Total Assets | \$3,806,063 | \$3,271,729 |
| Net Assets | | |
| Unrestricted | 3,806,063 | 3,271,729 |
| Total Net Assets | \$3,806,063 | \$3,271,729 |

As mentioned previously, net assets of governmental activities increased \$534,334 or 16.3 percent during 2005. The increase in cash balance is due mainly to increases in the General fund.

Table 2 reflects the changes in net assets in 2005 as compared to 2004.

LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 2)
Changes in Net Assets

| | Governmental Activities <u>2005</u> |
|--|---|
| Receipts: | |
| Program Receipts: | |
| Charges for Services and Sales | \$923,870 |
| Capital Grants | <u>675,000</u> |
| Total Program Receipts | <u>1,598,870</u> |
| General Receipts: | |
| Property Taxes | 3,970,246 |
| Grants and Entitlements Not Restricted to Specific Programs | 574,937 |
| Interest | 111,089 |
| Other | <u>467,187</u> |
| Total General Receipts | <u>5,123,459</u> |
| Total Receipts | <u>6,722,329</u> |
| Disbursements: | |
| Salaries-Employees | 2,339,668 |
| Supplies | 50,353 |
| Materials | 282,739 |
| Equipment | 231,124 |
| Contracts-Repair | 27,401 |
| Contracts-Service | 430,835 |
| Rentals | 2,915 |
| Advertising & Printing | 125,999 |
| Public Employees Retirement | 336,427 |
| Worker's Compensation | 25,257 |
| Unemployment Compensation | 13,570 |
| Capital Outlay | 978,010 |
| Other | <u>1,343,697</u> |
| Total Disbursements | <u>6,187,995</u> |
| Increase in Net Assets | 534,334 |
| Net Assets, January 1, 2005 | <u>3,271,729</u> |
| Net Assets, December 31, 2005 | <u><u>\$3,806,063</u></u> |

Program receipts represent only 23.8 percent of total receipts and are primarily comprised of aquatic facility receipts and golf course fees.

LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General receipts represent 76.2 percent of the Park District's total receipts, and of this amount, 59.1 percent are property taxes. State, interest and other miscellaneous make up the balance of the Park District's general receipts (17.2 percent). Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Park District and the support services provided for the other Park District activities. These include the costs of payroll and purchasing.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Park District. The next column identifies the costs of providing these services. The major disbursements for governmental activities are for salaries and benefits, which account for 37.8 of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Park District that must be used to provide a specific service. The net (Disbursements) Receipts and Changes in Net Assets column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

| (Table 3) | | |
|--------------------------------|---------------------|----------------------|
| Governmental Activities | | |
| | Total Cost | Net Cost |
| | Of Services | of Services |
| | 2005 | 2005 |
| Salaries-Employees | \$2,339,668 | (\$1,415,798) |
| Supplies | 50,353 | (50,353) |
| Materials | 282,739 | (282,739) |
| Equipment | 231,124 | (231,124) |
| Contracts - Repair | 27,401 | (27,401) |
| Contracts - Services | 430,835 | (430,835) |
| Rentals | 2,915 | (2,915) |
| Advertising and Printing | 125,999 | (125,999) |
| Public Employees Retirement | 336,427 | (336,427) |
| Workers' Compensation | 25,257 | (25,257) |
| Unemployment Compensation | 13,570 | (13,570) |
| Capital Outlay | 978,010 | (303,010) |
| Other | 1,343,697 | (1,343,697) |
| Total Expenses | \$ 6,187,995 | (\$4,589,125) |

The dependence upon property tax and other general receipts is apparent as over 82.8 percent of governmental activities are supported through these general receipts.

LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Park District's Funds

Total governmental funds had receipts of \$6,722,329 and disbursements of \$6,187,955. General Fund receipts were more than disbursements by \$534,334 indicating that the General Fund is not in a deficit spending situation. The fund had a positive fund balance of \$3,806,063 as of December 31, 2005.

General Fund Budgeting Highlights

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

Capital Assets

Capital Assets

The Park District 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 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 local taxes and have very little industry to support the tax base. The Board of Park Commissioner and Fiscal Officer reviewed our sources of revenue and determined that increases were likely. We then reviewed the disbursement history of the Park District.

Contacting the Park District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Park District's finances and to reflect the Park District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Denise Thompson, Treasurer, Lorain County Metropolitan Park District, 12882 Diagonal Road, Lagrange, Ohio 44050.

**Lorain County Metropolitan Park District
Lorain County**

*Statement of Net Assets - Modified Cash Basis
December 31, 2005*

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$3,806,063</u> |
| <i>Total Assets</i> | <u><u>\$3,806,063</u></u> |
| | |
| Net Assets | |
| Unrestricted | <u>\$3,806,063</u> |
| <i>Total Net Assets</i> | <u><u>\$3,806,063</u></u> |

See accompanying notes to the basic financial statements

**Lorain County Metropolitan Park District
Lorain County**

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005*

| | Cash Disbursements | Program Cash Receipts | | Net (Disbursements) Receipts and Changes in Net Assets |
|--|-----------------------|--------------------------------------|------------------|---|
| | | Charges for Services and Sales | Capital Grants | Governmental Activities |
| Governmental Activities | | | | |
| Salaries - Employees | \$2,339,668 | \$923,870 | | (\$1,415,798) |
| Supplies | 50,353 | | | (50,353) |
| Materials | 282,739 | | | (282,739) |
| Equipment | 231,124 | | | (231,124) |
| Contracts - Repair | 27,401 | | | (27,401) |
| Contracts - Services | 430,835 | | | (430,835) |
| Rentals | 2,915 | | | (2,915) |
| Advertising and Printing | 125,999 | | | (125,999) |
| Public Employees Retirement | 336,427 | | | (336,427) |
| Workers' Compensation | 25,257 | | | (25,257) |
| Unemployment Compensation | 13,570 | | | (13,570) |
| Capital Outlay | 978,010 | | \$675,000 | (303,010) |
| Other | 1,343,697 | | | (1,343,697) |
| <i>Total Governmental Activities</i> | <u>\$6,187,995</u> | <u>\$923,870</u> | <u>\$675,000</u> | <u>(4,589,125)</u> |
| General Receipts | | | | |
| Property Taxes Levied for: | | | | |
| General Purposes | | | | 3,970,246 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 574,937 |
| Interest | | | | 111,089 |
| Miscellaneous | | | | 467,187 |
| <i>Total General Receipts</i> | | | | 5,123,459 |
| Change in Net Assets | | | | 534,334 |
| <i>Net Assets Beginning of Year</i> | | | | 3,271,729 |
| <i>Net Assets End of Year</i> | | | | <u>\$3,806,063</u> |

See accompanying notes to the basic financial statements

**Lorain County Metropolitan Park District
Lorain County**

*Statement of Modified Cash Basis Assets and Fund Balance
Governmental Fund
December 31, 2005*

| | <u>General</u> |
|--|---------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$3,806,063</u> |
| <i>Total Assets</i> | <u><u>\$3,806,063</u></u> |
| Fund Balance | |
| Unreserved: | |
| Undesignated, Reported in: | |
| General Fund | <u>\$3,806,063</u> |
| <i>Total Fund Balance</i> | <u><u>\$3,806,063</u></u> |

See accompanying notes to the basic financial statements

**Lorain County Metropolitan Park District
Lorain County**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balance
Governmental Fund
For the Year Ended December 31, 2005*

| | <u>General Fund</u> |
|--|---------------------|
| Receipts | |
| Taxes | \$3,970,246 |
| Intergovernmental | 1,249,937 |
| Charges for Services | 812,575 |
| Licenses, Permits, and Fees | 111,295 |
| Earnings on Investments | 111,089 |
| Other | 467,187 |
| | <hr/> |
| <i>Total Receipts</i> | 6,722,329 |
| | <hr/> |
| Disbursements | |
| Current: | |
| Salaries - Employees | 2,339,668 |
| Supplies | 50,353 |
| Materials | 282,739 |
| Equipment | 231,124 |
| Contracts - Repair | 27,401 |
| Contracts - Services | 430,835 |
| Rentals | 2,915 |
| Advertising and Printing | 125,999 |
| Public Employees Retirement | 336,427 |
| Workers' Compensation | 25,257 |
| Unemployment Compensation | 13,570 |
| Capital Outlay | 978,010 |
| Other | 1,343,697 |
| | <hr/> |
| <i>Total Disbursements</i> | 6,187,995 |
| | <hr/> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 534,334 |
| | <hr/> |
| <i>Fund Balance Beginning of Year</i> | 3,271,729 |
| | <hr/> |
| <i>Fund Balance End of Year</i> | <u>\$3,806,063</u> |

See accompanying notes to the basic financial statements

**Lorain County Metropolitan Park District
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 | | |
| Receipts | | | | |
| Taxes | \$4,419,431 | \$4,419,431 | \$3,970,246 | (\$449,185) |
| Intergovernmental | - | - | 1,249,937 | \$1,249,937 |
| Charges for Services | 685,472 | 685,472 | 812,575 | 127,103 |
| Licenses, Permits and Fees | 135,000 | 135,000 | 111,295 | (23,705) |
| Earnings on Investments | 50,000 | 50,000 | 111,089 | 61,089 |
| Other | 2,320,038 | 1,428,277 | 467,187 | (961,090) |
| <i>Total receipts</i> | <u>7,609,941</u> | <u>6,718,180</u> | <u>6,722,329</u> | <u>4,149</u> |
| Disbursements | | | | |
| Current: | | | | |
| Salaries - Employees | 2,501,706 | 2,339,668 | 2,339,668 | 0 |
| Supplies | 70,800 | 50,353 | 50,353 | 0 |
| Materials | 318,821 | 282,739 | 282,739 | 0 |
| Equipment | 250,000 | 231,124 | 231,124 | 0 |
| Contracts - Repair | 42,351 | 27,401 | 27,401 | 0 |
| Contracts - Services | 487,750 | 430,835 | 430,835 | 0 |
| Rentals | 4,550 | 2,915 | 2,915 | 0 |
| Advertising and Printing | 150,450 | 125,999 | 125,999 | 0 |
| Public Employees Retirement | 336,427 | 336,427 | 336,427 | 0 |
| Workers' Compensation | 25,257 | 25,257 | 25,257 | 0 |
| Unemployment Compensation | 13,570 | 13,570 | 13,570 | 0 |
| Capital Outlay | 1,407,708 | 978,010 | 978,010 | 0 |
| Other | 3,053,642 | 1,343,697 | 1,343,697 | 0 |
| <i>Total Disbursements</i> | <u>8,663,032</u> | <u>6,187,995</u> | <u>6,187,995</u> | <u>0</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(1,053,091)</u> | <u>530,185</u> | <u>534,334</u> | <u>4,149</u> |
| <i>Fund Balance Beginning of Year</i> | <u>3,271,729</u> | <u>3,271,729</u> | <u>3,271,729</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$2,218,638</u> | <u>\$3,801,914</u> | <u>\$3,806,063</u> | <u>\$4,149</u> |

See accompanying notes to the basic financial statements

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | |
|---|--------------------------------------|
| Cash Receipts: | |
| Local Taxes | \$3,885,351 |
| Intergovernmental | 585,812 |
| Licenses, Permits, and Fees | 844,411 |
| Donations and Gifts | 806,771 |
| Earnings on Investments | 49,589 |
| Devises and Bequests | 279,060 |
| Other Receipts | <u>320,274</u> |
| Total Cash Receipts | <u>6,771,268</u> |
| Cash Disbursements: | |
| Current: | |
| Salaries - Employees | 2,220,169 |
| Supplies | 129,871 |
| Materials | 342,901 |
| Equipment | 160,781 |
| Contracts - Repair | 27,911 |
| Contracts - Services | 409,963 |
| Rentals | 4,030 |
| Advertising and Printing | 129,246 |
| Travel | 9,354 |
| Public Employees Retirement | 320,558 |
| Workers' Compensation | 23,311 |
| Unemployment Compensation | 11,468 |
| Other | <u>3,819,293</u> |
| Total Cash Disbursements | <u>7,608,856</u> |
| Total Receipts Over/(Under) Disbursements | <u>(837,588)</u> |
| Fund Cash Balance, January 1 | <u>4,109,317</u> |
| Fund Cash Balance, December 31 | <u><u>\$3,271,729</u></u> |

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

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

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

1. DESCRIPTION OF THE ENTITY

Lorain County Metropolitan Park District, Lorain County, (the Park District) was created by action of the Probate Court of Lorain County in 1957 under authority of Chapter 1545 of the Ohio Revised Code. The Park District is a separate subdivision of the State of Ohio and as such is not subservient to any local form of government such as a county or municipality. The Park District's operations include various leisure time activities, a golf course, an aquatic center, and naturalist departments.

The Park District is governed by a three-member Board of Commissioners. The Commissioners are appointed by the Judge of the Probate Court. One Commissioner is appointed each year and serves for a period of three years. Commissioners serve without compensation.

The Board meets regularly once a month and at such other times when the press of business dictates. The Board establishes policy and grants approval on all land acquisition, park development, and park use and operations. Expenditure of funds can only be made upon the approval of the Board.

The Director-Secretary is the chief executive officer of the Lorain County Metropolitan Park District. The Director-Secretary is appointed by the Board of Park Commissioners and is responsible for executing the policy of the Park District's Board. The Director Secretary is authorized to establish administrative procedures as he deems necessary to execute the policy of the Board.

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

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

The following entities, which perform activities within the Park District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the Park District is not financially accountable for these entities nor are they fiscally dependent on the Park District.

The Friends of the Metro Parks in Lorain County, Inc., is a federal tax-exempt, not for profit organization under Section 501 (a) of the Internal Revenue Code (the Code) and an organization described in Section 501 (c)(3) of the Code. This corporation was organized for charitable, educational and scientific purposes, including making distributions to organizations that qualify as exempt organizations under Section 501 (c) (3) of the Code. In addition, they were organized to maintain an association of persons interested in the Lorain County Metropolitan Park District (LCMPD); to focus public attention on LCMPD uses and benefits; to cooperate and assist the Board of Park Commissioners and staff in developing, improving, and expanding and preserving LCMPD; to promote and conduct activities to enhance park lands under the jurisdiction of the LCMPD; to receive and encourage gifts, endowments, and bequests to support LCMPD; and to acquire land.

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

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

1. DESCRIPTION OF THE ENTITY (Continued)

The corporation is governed by a board of trustees consisting of eleven members elected from the general membership. In addition, the Director-Secretary of the Lorain County Metropolitan Park District appoints a staff member to participate as a non-voting member of the board of trustees. The corporation can borrow money, issue, sell, and pledge its notes, bonds or other evidences of indebtedness; and secure its obligations by mortgage, pledge or deed of trust by authority and action of its board of trustees.

The Park District received \$1,750 during the fiscal period January 1, through December 31, 2005 from the Friends Corporation. The total cash assets (unaudited) of the Friends of the Metro Parks in Lorain County, Inc., at December 31, 2005 were \$12,029. Financial Statements can be obtained from Mr. Al Leighty, Treasurer, 6309 State Route 18, New London, Ohio 44851.

North Coast Regional 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 North Coast Regional Council of Park Districts (The Council) was formed in part to designate sites within the jurisdiction of the members of the council to be acquired, improved, restored, enhanced, administered and/or preserved with funds received under the In Lieu Fee Agreement (ILFA). The ILFA allows the development of certain wetlands provided the developers contribute certain sums of money which are then used as described above. The Council is a jointly governed organization which currently includes five members. 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 Park District made no contributions to the Council during 2005 or 2004. Financial statements can be obtained from Denise Thompson, Treasurer at 12882 Diagonal Road, LaGrange, Ohio 44050.

The Lorain County Metro Park Endowment Fund of the Community Foundation of Greater Lorain County was created to benefit and assist the endeavors of the Lorain County Metropolitan Park District (the Park District), including but not limited to the general public and statutory purposes of the preservation and conservation of the environment and all natural resources within the jurisdiction of the Metropolitan Park District. This fund was created November 18th 1993 by agreement of both parties. The Community Foundation of Greater Lorain County (the Foundation) is made up of over 200 separate funds each one created for its specific purpose. The Foundation was organized under Section 501 (c) (3) of the Internal Revenue Code. The Park District received \$69,535 in 2005 and \$500 in 2004. The Fund balance as of December 31, 2005 and 2004 was \$493,508 and \$399,587, respectively. Audited financial statements can be obtained from Cheryl McKenna, Chief Financial/Administrative Officer of the CFGLC at 1865 North Ridge Road East, Suite A, Lorain, Ohio 44055.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

For the year ending December 31, 2004, the Park District's 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.

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting (Continued)

For the year ending December 31, 2005, the Park District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Park District'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 Park District 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.

B. Basis of Presentation

The Park District'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 Park District as a whole. These statements include the financial activities of the Park District.

The statement of net assets presents the financial condition of the governmental activities of the Park District at December 31, 2005. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Park District's 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 Park District, 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 Park District.

Fund Financial Statements The Park District segregates transactions related to certain Park District 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 Park District 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 Park District 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 Park District's funds are classified as governmental.

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

**NOTES TO THE 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 Park District's 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

All funds are legally required to be appropriated. The appropriations resolution is the Commissioners authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Commissioners. 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 Park Commissioners.

For control purposes, the Park District estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Commissioners 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 Commissions.

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 Commissions during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Park District is pooled and invested. Individual fund integrity is maintained through the Park District's 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.

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

**NOTES TO THE 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 \$111,089. Interest receipts credited to the General Fund during 2004 amounted to \$49,589.

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 Park District has no restricted assets.

G. Inventory and Prepaid Items

The Park District 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, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Park District's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Park District recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

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

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

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Reserves

The Park District 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. Fund balance reserves have been established for encumbrances.

3. CHANGE IN BASIS OF ACCOUNTING

For fiscal year ending December 31, 2004, the Park District 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 Park District has implemented the cash basis of accounting described in Note 2, which revised the Park District's 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 Park District 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 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 – 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 Park District had no encumbrances outstanding at year end December 31, 2005 for the General Fund.

For fiscal year ending December 31, 2004, the Park District reported the following budgetary activity regarding estimated resources and appropriations.

| <u>2004 Budgeted vs. Actual Budgetary Basis Revenues</u> | | | |
|--|--------------------------------|-------------------------------|----------------------|
| <u>Fund Type</u> | <u>Estimated Resources</u> | <u>Budgetary Revenues</u> | <u>Variance</u> |
| General | <u>\$10,843,285</u> | <u>\$6,771,268</u> | <u>\$(4,072,017)</u> |

| <u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u> | | | |
|--|------------------------------------|-----------------------------------|--------------------|
| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
| General | <u>\$10,843,285</u> | <u>\$7,608,856</u> | <u>\$3,234,429</u> |

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

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

5. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that 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 Park District treasury. Active monies must be maintained either as cash in the Park District 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 Park District 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;

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Park District, 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 Park District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, the Park District had a book balance of \$3,806,063. Of the Park District's December 31, 2005 bank balance of \$3,913,134, \$3,513,134 was uninsured and uncollateralized. At December 31, 2004, the Park District had a book balance of \$3,271,729. Of the Park District's December 31, 2004 bank balance of \$3,339,887, \$3,039,887 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 Park District to a successful claim by the FDIC.

The Park District 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 Park District 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 Park District had no investments.

6. PROPERTY TAX

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Park District. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

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

6. PROPERTY TAX (Continued)

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Park District operations for the years ended December 31, 2005 and December 31, 2004 were \$1.30 and \$1.00, respectively, per \$1,000 of assessed value. The assessed values upon which 2005 and 2004 property tax receipts were based are as follows:

| | 2005 | 2004 |
|-----------------------------------|------------------------|------------------------|
| Real Estate | \$5,378,463,050 | \$5,159,299,420 |
| Tangible Personal Property | | |
| General | 497,439,716 | 493,410,240 |
| Public Utilities | <u>291,960,240</u> | <u>306,638,130</u> |
| Total Assessed Value | <u>\$6,167,863,006</u> | <u>\$5,959,347,790</u> |

7. RETIREMENT SYSTEM

The Park District 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. 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 year 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 Park District's contribution rate for pension benefits for 2005 and 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

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

7. RETIREMENT SYSTEM (Continued)

The Park District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$20,819, \$20,503, and \$20,076 respectively; the full amount has been contributed for 2005, 2004, and 2003.

8. POSTEMPLOYMENT BENEFITS

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; 4.00 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 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 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.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$8,720. The actual contribution and the actuarially required contribution amounts are the same. 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 \$29.5 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. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

9. RISK MANAGEMENT

The Park District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004 and 2005, the Park District contracted with several companies for various types of insurance coverage as follows:

**LORAIN COUNTY METROPOLITAN PARK DISTRICT
LORAIN COUNTY**

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

9. RISK MANAGEMENT (Continued)

| | | |
|----------------------|--------------|----------------|
| General Liability | \$6,000,000 | Per occurrence |
| Automobile Liability | \$6,000,000 | Per occurrence |
| Employee Dishonesty | \$500,000 | Per occurrence |
| Property | \$18,717,561 | Total Coverage |
| Boiler and Machinery | \$5,000,000 | Limit |

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Park District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs. The System administers and pays all claims.

10. CONTRACTUAL COMMITMENTS

The Park District was involved in two contractual agreements at the end of 2005 for professional services with architects for the building of the Wellington site.

11. CONTINGENT LIABILITIES

The Park District is defendant in three lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Park District's financial condition.

12. JOINT VENTURE

The Park District is currently involved in one joint venture that involves a future commitment of financial resources. The Park District has agreed to build a new park in the Village of Wellington and expend \$1,000,000 by December 2010. The funds for this project are from our existing 1.3 mil 10 year levy and budgeted for completion in 2006.

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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

Lorain County Metropolitan Park District
Lorain County
12882 Diagonal Road
LaGrange, Ohio 44050

To the Board of Park Commissioners:

We have audited the basic financial statements of the Lorain County Metropolitan Park District, Lorain County, Ohio, (the Park District) as of and for the year ended December 31, 2005, which collectively comprise the Park District's basic financial statements and have audited the regulatory accounting basis financial statements of the Park District as of and for the year ended December 31, 2004, and have issued our report thereon dated April 18, 2007, wherein we noted for the fiscal year ended December 31, 2005, the Park District 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 Park District's 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 Park District's 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 Park District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Mary Taylor, CPA
Auditor of State

April 18, 2007



Mary Taylor, CPA
Auditor of State

LORAIN COUNTY METROPOLITAN PARK DISTRICT

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 5, 2007