



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

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2010-2009



Mary Taylor, CPA
Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended June 30, 2010.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended June 30, 2009.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

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

To the Regional Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 8, 2010

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Regional Council:

We have audited the accompanying financial statements of the South Euclid-Lyndhurst Recreation Commission, Cuyahoga County, (SELREC) as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of SELREC'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 1, SELREC has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting SELREC's larger (i.e. major) funds separately. While SELREC does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Commissions to reformat their statements. SELREC has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. 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 years ended June 30, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of SELREC as of June 30, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the South Euclid-Lyndhurst Recreation Commission, Cuyahoga County, as of June 30, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2009, SELREC changed its financial statement presentation from a cash accounting basis to a basis prescribed or permitted by the Auditor of State.

As more fully described in Note 5 to the Financial Statements, as of July 1, 2010, the YMCA of Greater Cleveland assumed operational responsibilities of SELREC. The South Euclid-Lyndhurst City School District continued to provide fiscal support until September 30, 2010. On October 1, 2010, the YMCA assumed financial responsibilities of SELREC.

SELREC has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2010, on our consideration of SELREC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

December 8, 2010

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2010**

	Proprietary
	2010 Enterprise Fund
Operating Cash Receipts:	
Classroom Materials and Recreation Fees	\$459,767
Total Operating Cash Receipts	459,767
Operating Cash Disbursements:	
Salaries and Benefits	227,511
Employees' Retirement and Insurance	92,380
Purchased and Contracted Services	314,440
Materials and Supplies	16,623
Other	38,114
Total Operating Cash Disbursements	689,068
Operating Income/(Loss)	(229,301)
Non-Operating Cash Receipts:	
Earnings on Investments	135
Other Non-Operating Receipts	109,277
Total Non-Operating Cash Receipts	109,412
Income/(Loss) before Advances	(119,889)
Other Financing Cash Receipts:	
Advances In	50,000
Total Other Financing Cash Receipts	50,000
Excess of Receipts Over/(Under) Disbursements	(69,889)
Fund Cash Balance, July 1, 2009	107,690
Fund Cash Balance, June 30, 2010	\$37,801

See accompanying notes to the basic financial statements

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2009**

	Proprietary
	2009 Enterprise Fund
Operating Cash Receipts:	
Classroom Materials and Recreation Fees	\$573,317
Total Operating Cash Receipts	573,317
Operating Cash Disbursements:	
Salaries and Benefits	284,320
Employees' Retirement and Insurance	108,409
Purchased and Contracted Services	365,087
Materials and Supplies	27,860
Other	79,827
Capital Outlay	552
Total Operating Cash Disbursements	866,055
Operating Income/(Loss)	(292,738)
Non-Operating Cash Receipts:	
Earnings on Investments	3,247
Other Non-Operating Receipts	80,933
Total Non-Operating Cash Receipts	84,180
Excess of Receipts Over/(Under) Disbursements	(208,558)
Fund Cash Balance, July 1, 2008	316,248
Fund Cash Balance, June 30, 2009	\$107,690

See accompanying notes to the basic financial statements

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

The YMCA of Greater Cleveland assumed the operational and financial responsibilities of SELREC on July 1, 2010 and October 1, 2010, respectively. Note 5 to the financial statements provides additional information regarding this transfer of responsibility.

SELREC participates in a public entity risk pool. This organization is the Ohio Government Risk Management Plan. Note 3 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The South Euclid-Lyndhurst City School District Treasurer is the fiscal agent of SELREC. All collections are remitted to either the Treasurer or local depository for deposit. All disbursements are made either by check or through internal School District transfers prepared by the Treasurer, and drawn on deposits held in the name of the South Euclid-Lyndhurst City School District. The School District Treasurer maintains a STAR Ohio investment account in the name of SELREC. The remaining SELREC cash balance is pooled with the South Euclid-Lyndhurst City School District. The carrying amount of pooled cash and investments held by the fiscal agent for SELREC as of June 30, 2010 and June 30, 2009 totaled \$37,801 and \$107,690, respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

SELREC uses fund accounting to segregate cash and investments that are restricted as to use. SELREC classifies its fund into the following type:

Enterprise Fund

This fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

E. Property, Plant, and Equipment

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

F. Accumulated Leave

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

2. Retirement Systems

SELREC's employees are covered by the School Employees Retirement Systems (SERS). SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, members of SERS contributed 10% of their wages. SELREC contributed an amount equal to 14% of participants' wages. SELREC has paid all contributions required through June 30, 2010.

3. Risk Management

Risk Pool Membership

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

3. Risk Management (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. SELREC participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. SELREC does not participate in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRM and OPHC:

	<u>2008</u>	<u>2007</u>
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members’ Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

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

4. Related Party Transactions

During the fiscal years ended June 30, 2010 and June 30, 2009 SELREC rented space from the South Euclid-Lyndhurst City School District. In fiscal years 2009 and 2010, SELREC paid 4% of the previous years’ receipts as a fiscal fee to the School District for certain administrative services, as well as custodial and maintenance services. The fiscal fee paid to the South Euclid- Lyndhurst City School District during fiscal years 2010 and 2009 were \$26,300 and \$38,906, respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

4. Related Party Transactions (Continued)

In fiscal year 2009 SELREC received contributions totaling \$62,373 from the Cities of South Euclid and Lyndhurst. In fiscal year 2010, SELREC received contributions totaling \$85,243 from the Cities of South Euclid and Lyndhurst and the South Euclid-Lyndhurst City School District. These contributions are reflected as miscellaneous non-operating cash receipts in the accompanying financial statements.

5. Subsequent Event and Closeout Transfer to the YMCA

**Cash Receipts, Disbursements, and Change in Fund Balance
For the Period Ended October 31, 2010**

	Enterprise Fund
Operating Cash Receipts:	
Classroom Materials and Recreation Fees	\$25,338
Total Operating Cash Receipts	25,338
Operating Cash Disbursements:	
Salaries and Benefits	36,840
Employees' Retirement and Insurance	7,026
Purchased and Contracted Services	55,427
Materials and Supplies	8,224
Other	86,353
Total Operating Cash Disbursements	193,870
Operating Income/(Loss)	(168,532)
Non-Operating Cash Receipts:	
Earnings on Investments	2
Other Non-Operating Cash Receipts	11,820
Total Non-Operating Cash Receipts	11,822
Income/(Loss) Before Advances	(156,710)
Other Financing Cash Disbursements:	
Return of Advance	(50,000)
Total Other Financing Cash Disbursements	50,000
Excess of Receipts Over/(Under) Disbursements	(206,710)
Fund Cash Balance, July 1, 2010	37,801
Fund Cash Balance, October 31, 2010	(\$168,909)

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

5. Subsequent Event and Closeout Transfer to the YMCA (Continued)

On July 1, 2010, the YMCA of Greater Cleveland assumed operational control of SELREC. The YMCA assumed financial control of SELREC on October 1, 2010. On October 21, 2010, the Fiscal Agent provided a cash reconciliation to the YMCA and also provided them the revenue received for their summer programs totaling \$77,524. On October 31, 2010, SELREC had a negative fund balance of \$168,909 on the books of its formal fiscal agent. The South Euclid-Lyndhurst City School District and the Cities of South Euclid and Lyndhurst will contribute payments equivalent to 40%, 36% and 24%, respectively, of the remaining negative fund balance to cover the deficit.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

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

To the Regional Council:

We have audited the financial statements of the South Euclid-Lyndhurst Recreation Commission, Cuyahoga County, (SELREC) as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 8, 2010, wherein we noted SELREC prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. In addition, we noted the YMCA of Greater Cleveland assumed operational responsibilities for SELREC commencing on July 1, 2010, and financial responsibilities commencing on October 1, 2010. 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*.

During 2009, SELREC changed its financial statement presentation from a cash accounting basis to a basis prescribed or permitted by the Auditor of State.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SELREC's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of SELREC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of SELREC's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of SELREC's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether SELREC's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to SELREC's management in a separate letter dated December 8, 2010.

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

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

Mary Taylor, CPA
Auditor of State

December 8, 2010



Mary Taylor, CPA
Auditor of State

SOUTH EUCLID-LYNDHURST RECREATION COMMISSION

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2010**