



**CLEVELAND METROPOLITAN PARK DISTRICT
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

**CLEVELAND METROPOLITAN PARK DISTRICT
CUYAHOGA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Cleveland Metropolitan Park District
Cuyahoga County
4101 Fulton Parkway
Cleveland, Ohio 44144

We have audited the accompanying financial statements of the governmental activities and the major fund of the Cleveland Metropolitan Park District, Cuyahoga County, Ohio (the Park District) as of and for the year ended December 31, 2003, which collectively comprise the Park District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Park District'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Cleveland Metropolitan Park District, Cuyahoga County, Ohio, as of December 31, 2003, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the Park District restated its capital assets and related accumulated depreciation for Governmental Type Activities as of December 31, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of 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

August 18, 2004

Cleveland Metropolitan Park District, Cuyahoga County

Management's Discussion and Analysis

For the Year Ended December 31, 2003

Unaudited

The discussion and analysis of the Cleveland Metropolitan Park District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key Financial highlights for 2003 are as follows:

- In total, Net Assets decreased \$512,286 or a .34 percent under 2002.
- Total Liabilities increased by \$2,246,776 or 5.25 percent from 2002.
- The District had \$58,400,581 in expenses. Only \$18,399,494 of these expenses were offset by program specific charges for services, operating and capital grants and contributions. General revenues of \$39,488,801 were adequate to provide for these programs.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the District as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at our specific financial conditions.

The Statement of Net Assets and Statement of Activities provides information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those assets. The Statement of Activities shows a net (expense) revenue and changes to net assets related to each department of the District. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

Reporting on the District as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and Statement of Activities include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

These two statements report the District's net assets and the changes in those assets. The change in net assets is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished. However, in evaluating the overall position of the District, non-financial information such as changes in the District's tax base and the condition of the District's capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, all of the District's activities are reported as Governmental Activities.

Cleveland Metropolitan Park District, Cuyahoga County

Management's Discussion and Analysis

For the Year Ended December 31, 2003

Unaudited

Reporting on the District's Most Significant Fund

Governmental Fund

The presentation for the District's only fund, the general fund, focuses on how resources flow into and out of it and the balance that is left at year end and available for spending in future periods. The general fund is reported using modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our District users. The relationship (or differences) between governmental activities (reported on the Statement of Net Assets and the Statement of Activities) and the general fund is reconciled in the financial statements.

The Cleveland Metropolitan Park District as a Whole

Recall that the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2003 compared to 2002.

Table 1
Net Assets

	<u>2003</u>	<u>2002</u>
Assets		
Current and Other Assets	\$60,022,168	\$67,580,068
Nondepreciable Capital Assets	39,918,504	29,563,513
Depreciable Capital Assets	<u>95,044,156</u>	<u>96,106,757</u>
<i>Total Assets</i>	<u>194,984,828</u>	<u>193,250,338</u>
Liabilities		
Current and Other Liabilities	40,400,340	38,342,845
Long-Term Liabilities:		
Due Within One Year	803,283	814,834
Due Within More Than One Year	<u>3,841,946</u>	<u>3,641,114</u>
<i>Total Liabilities</i>	<u>45,045,569</u>	<u>42,798,793</u>
Net Assets		
Invested in Capital Assets	134,962,660	125,670,270
Unrestricted	<u>14,976,599</u>	<u>24,781,275</u>
<i>Total Net Assets</i>	<u>\$149,939,259</u>	<u>\$150,451,545</u>

The \$1,734,490 increase in assets is primarily attributed to the increase in capital assets (see Table 3). Cash and cash equivalents decreased by \$8,685,909 for 2003. The main decreases were due to \$7.5 million being spent for Cleveland Metroparks new Park Operations/Ranger Headquarters complex and \$1.2 million being spent for the new Zoo Animal Hospital facility.

Liabilities increased by \$2,246,776 from 2002, primarily due to increased accounts and contracts payable reported in 2003 compared to 2002.

Cleveland Metropolitan Park District, Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 2 shows the changes in net assets for the year ended December 31, 2003.

Table 2
Changes in Net Assets

	<u>2003</u>	<u>2002</u>
Revenues		
Program Revenues		
Charges For Services	\$14,463,141	\$12,792,204
Operating Grants and Contributions	599,797	587,846
Capital Grants and Contributions	<u>3,336,556</u>	<u>4,609,809</u>
Total Program Revenues	<u>18,399,494</u>	<u>17,989,859</u>
General Revenues		
Property Taxes	34,411,520	34,473,880
Grants and Entitlements	4,588,959	5,023,050
Investment Earnings	250,208	609,781
Miscellaneous	<u>238,114</u>	<u>491,642</u>
Total General Revenues	<u>39,488,801</u>	<u>40,598,353</u>
<i>Total Revenues</i>	<u>57,888,295</u>	<u>58,588,212</u>
Program Expenses		
Park Operations	19,802,850	18,830,114
Zoo Operations	17,663,078	15,646,555
Golf Course	5,438,719	5,662,750
Ranger Department	6,010,583	5,828,885
Administration	<u>9,485,351</u>	<u>9,054,317</u>
<i>Total Program Expenses</i>	<u>58,400,581</u>	<u>55,022,621</u>
<i>Change in Net Assets</i>	(512,286)	3,565,591
<i>Net Assets Beginning of Year</i>	<u>150,451,545</u>	<u>146,885,954</u>
<i>Net Assets End of Year</i>	<u>\$149,939,259</u>	<u>\$150,451,545</u>

Several revenue sources fund our District. Property tax being the biggest contributor, accounting for 59.4 percent of gross revenue. The property tax of 1.5 mills was voted on by the citizenry of Cuyahoga County and Hinckley Township of Medina County in November of 1995. This levy is scheduled to continue through 2005 and will experience only modest increases related to new property construction within the taxing district. The costs of creating the new dinosaur exhibit, park operations/ranger headquarters and zoo animal hospital and staffing the projects increased expenses in 2003 from 2002.

Cleveland Metropolitan Park District, Cuyahoga County

Management's Discussion and Analysis

For the Year Ended December 31, 2003

Unaudited

The District has maintained a philosophy to strive for self-sufficiency in the areas dedicated to recreation. As a result of this, charges for services accounted for \$14,463,141, which is 24.98 percent of gross revenue.

The expense of park operations, including outdoor education represented 33.91 percent of our total program expenses. Maintenance of the fifteen park reservations, connecting roads and trails represent a significant part of this expense.

Zoo operations amounted to \$17,663,078 of the total program expenses or 30.24 percent of program expenses.

Golf course operations amounted to \$5,438,719 of the total program expenses of the District, or 9.31 percent.

The ranger department continues to monitor and provide safety for District visitors and facilities. The ranger department accounts for \$6,010,583 of the total program expense or 10.29 percent of the total.

The District's Fund

Information about the District's governmental fund begins on page 11. This fund is accounted for using the modified accrual basis of accounting. The District had Governmental revenues of \$57,237,133 and expenditures of \$67,650,203.

Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During the course of 2003 the District amended its general fund budget. All recommendations for a budget change come from the District Treasurer of the Board of Park Commissioners for resolution enactment on the change. The general fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

Original budgeted revenues for the general fund were \$56,645,166; final budget amount was \$56,864,622 and the actual revenue was \$57,297,901. The major factors contributing to the increase of actual revenues over budgeted revenues were increased revenues in zoo receipts and property taxes.

Cleveland Metropolitan Park District, Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Capital Assets

Table 3
 Capital Assets at December 31
 (Net of Depreciation)

	2003	2002
Land	\$26,505,191	\$24,339,828
Construction in Progress	13,413,313	5,223,685
Buildings	52,749,992	52,748,796
Machinery and Equipment	5,167,062	5,315,304
Vehicles	3,168,415	3,244,103
Infrastructure		
Bridges	13,013,851	13,479,958
Fords	1,569,721	1,614,935
Roads	6,235,294	6,190,295
All Purpose Trails	10,658,262	10,819,355
Golf Course Cart Paths	402,496	437,231
Other Paved Areas	2,079,063	2,256,780
<i>Totals</i>	<i>\$134,962,660</i>	<i>\$125,670,270</i>

The \$9,292,390 increase in capital assets was attributable to additional construction projects and park road projects. During 2003 various significant park and zoo rehabilitation projects were completed. Some of these include: Continued rehabilitation and expansion of the stables at the Brecksville Reservation, a subsidy to Camp Cheerful for projects related to the buildings they occupy on our property, completion of the rehabilitation of the Canal Park Operations Center, completion of the Nature Center renovation at Garfield Park, updating the fire alarms at the Zoo, additional parking at the Zoo, complete re-roofing of the Pachyderm Building and the African Barn. In addition, construction continued on the new Zoo Animal Hospital and the new Park Operations/Ranger Headquarters building. See Note 8 to the basic financial statements for additional information on capital assets.

Current Financial Related Activities

Long- and short-term goals. The revenues and expenditures within the budget are directed to achieve the District's mission. The budget addresses the five critical issues outlined in District Strategic Plan 2000 and helps support the initiatives narrated in the Zoo Master Plan. The budget supports specific departmental work programs and verifies to the public that the District has been debt-free, with no capital obligations or unfunded liabilities.

Performance tools and response to change. The annual financial report provides measurement tools to access the financial performance of each department, as well as the District as a whole.

Cleveland Metropolitan Park District, Cuyahoga County

Management's Discussion and Analysis

For the Year Ended December 31, 2003

Unaudited

Non-tax funds. Non-tax funds coming to the District are attributable to initiatives of District personnel and generosity of other organizations. The continuing effort toward self-sufficiency of District golf courses, Zoo, The Chalet, Aquatics, and other program operations is by the continuing success of earned revenue from these enterprises that provide the Zoo's commitment toward "self-sufficiency", which reached 55.8 percent in 2003.

The District has committed itself to financial excellence and has a history of doing just that. The District has received the Government Finance Officers *Distinguished Budget Presentation Award* for 11 consecutive fiscal years beginning January 1, 1993 through December 31, 2003.

Annually we make available our financial reports and budget documents. The District publishes a variety of informative documents related to the District and the Zoo. We also have information available at both park and zoo web sites.

Contacting the Park District's Treasurer's Office

This financial report is designed to provide our citizenry with the general overview of the District's finances and show the District's accountability for all money it receives, spends or invests. If you have any questions about this report or need financial information, contact Robert L. Miller, Treasurer, Cleveland Metropolitan Park District, 4101 Fulton Parkway, Cleveland, Ohio 44144, or by email at rlm@clevelandmetropark.com.

Cleveland Metropolitan Park District, Cuyahoga County

Statement of Net Assets

December 31, 2003

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$16,889,147
Cash and Cash Equivalents With Fiscal Agents	406,431
Materials and Supplies Inventory	882,876
Accrued Interest Receivable	3,375
Accounts Receivable	9,348
Intergovernmental Receivable	2,851,201
Prepaid Items	66,785
Taxes Receivable	38,913,005
Nondepreciable Capital Assets	39,918,504
Depreciable Capital Assets, Net	<u>95,044,156</u>
<i>Total Assets</i>	<u>194,984,828</u>
Liabilities	
Accounts Payable	1,279,496
Contracts Payable	1,673,598
Accrued Wages	1,359,378
Matured Compensated Absences Payable	72,496
Retainage Payable	406,431
Intergovernmental Payable	359,361
Deferred Revenue	35,249,580
Long-Term Liabilities:	
Due Within One Year	803,283
Due Within More Than One Year	<u>3,841,946</u>
<i>Total Liabilities</i>	<u>45,045,569</u>
Net Assets	
Invested in Capital Assets	134,962,660
Unrestricted	<u>14,976,599</u>
<i>Total Net Assets</i>	<u><u>\$149,939,259</u></u>

See accompanying notes to the basic financial statements

Cleveland Metropolitan Park District, Cuyahoga County

Statement of Activities

For the Year Ended December 31, 2003

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets	
Governmental Activities					
Park Operations	\$19,802,850	\$1,072,821	\$192,225	\$1,523,727	(\$17,014,077)
Zoo Operations	17,663,078	7,896,773	178,010	1,777,329	(7,810,966)
Golf Course	5,438,719	5,402,646	0	0	(36,073)
Ranger Department	6,010,583	90,901	26,466	0	(5,893,216)
Administration	9,485,351	0	203,096	35,500	(9,246,755)
<i>Total Governmental Activities</i>	<u>\$58,400,581</u>	<u>\$14,463,141</u>	<u>\$599,797</u>	<u>\$3,336,556</u>	<u>(40,001,087)</u>
General Revenues					
Property Taxes					34,411,520
Grants and Entitlements not Restricted to Specific Programs					4,588,959
Investment Earnings					250,208
Miscellaneous					238,114
<i>Total General Revenues</i>					<u>39,488,801</u>
Change in Net Assets					(512,286)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>					<u>150,451,545</u>
<i>Net Assets End of Year</i>					<u>\$149,939,259</u>

See accompanying notes to the basic financial statements

Cleveland Metropolitan Park District, Cuyahoga County

Balance Sheet

Governmental Fund

December 31, 2003

	<u>General Fund</u>
Assets	
Cash and Cash Equivalents	\$16,889,147
Cash and Cash Equivalents With Fiscal Agents	406,431
Materials and Supplies Inventory	882,876
Accrued Interest Receivable	3,375
Accounts Receivable	9,348
Intergovernmental Receivable	2,851,201
Prepaid Items	66,785
Taxes Receivable	<u>38,913,005</u>
<i>Total Assets</i>	<u><u>\$60,022,168</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	\$1,279,496
Contracts Payable	1,673,598
Accrued Wages	1,359,378
Matured Compensated Absences Payable	72,496
Retainage Payable	406,431
Intergovernmental Payable	359,361
Deferred Revenue	<u>41,383,100</u>
<i>Total Liabilities</i>	<u>46,533,860</u>
Fund Balance	
Reserved for Encumbrances	4,598,714
Unreserved, Undesignated	<u>8,889,594</u>
<i>Total Fund Balance</i>	<u>13,488,308</u>
<i>Total Liabilities and Fund Balance</i>	<u><u>\$60,022,168</u></u>

See accompanying notes to the basic financial statements

Cleveland Metropolitan Park District, Cuyahoga County

Reconciliation of Governmental Fund Balance to

Net Assets of Governmental Activities

December 31, 2003

Total Governmental Fund Balance \$13,488,308

***Amounts reported for governmental activities in the
statement of net assets are different because***

Capital assets used in governmental activities are not financial resources and therefore not reported in the fund. 134,962,660

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the fund:

Intergovernmental	2,470,095
Delinquent Property Taxes	<u>3,663,425</u>

Total 6,133,520

Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not included in the fund. (4,645,229)

Net Assets of Governmental Activities \$149,939,259

See accompanying notes to the basic financial statements

Cleveland Metropolitan Park District, Cuyahoga County
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Years Ended December 31, 2003

	General Fund
Revenues	
Property Taxes	\$33,766,677
Intergovernmental	4,582,640
Donations and Sponsors	3,936,353
Interest	250,208
Golf Receipts	5,402,646
Zoo Receipts	7,896,773
Park Receipts	1,072,821
Damages and Fines	90,901
Miscellaneous	238,114
	57,237,133
<i>Total Revenues</i>	<i>57,237,133</i>
Expenditures	
Current:	
Park Operations	15,410,001
Zoo Operations	15,695,448
Golf Course	5,071,615
Ranger Department	5,839,030
Administration	9,293,617
Capital Outlay	16,340,492
	67,650,203
<i>Total Expenditures</i>	<i>67,650,203</i>
<i>Excess of Expenditures Over Revenues</i>	<i>(10,413,070)</i>
Other Financing Sources	
Proceeds from Sale of Capital Assets	146,513
	146,513
<i>Net Change in Fund Balance</i>	<i>(10,266,557)</i>
<i>Fund Balance Beginning of Year</i>	<i>23,754,865</i>
	<i>23,754,865</i>
<i>Fund Balance End of Year</i>	<i>\$13,488,308</i>

See accompanying notes to the basic financial statements

Cleveland Metropolitan Park District, Cuyahoga County

*Reconciliation of the Changes in Fund Balance
of Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2003*

Net Change in Fund Balance - Total Governmental Funds (\$10,266,557)

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	14,895,358	
Current Year Depreciation	<u>(5,356,133)</u>	
Total		9,539,225

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a loss is reported for each disposal. (246,835)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Intergovernmental	6,319	
Delinquent Property Taxes	<u>644,843</u>	
Total		651,162

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (189,281)

Change in Net Assets (\$512,286)

See accompanying notes to the basic financial statements

Cleveland Metropolitan Park District, Cuyahoga County

*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund*

For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Property Taxes	\$33,420,745	\$33,565,134	\$33,766,677	\$201,543
Intergovernmental	4,593,455	4,599,024	4,593,100	(5,924)
Donations and Sponsors	4,600,784	4,615,500	3,936,353	(679,147)
Interest	273,941	275,000	290,116	15,116
Golf Receipts	5,680,910	5,702,862	5,398,627	(304,235)
Zoo Receipts	6,668,168	6,693,935	7,900,125	1,206,190
Park Receipts	1,196,154	1,200,776	1,072,983	(127,793)
Damages and Fines	84,095	84,420	88,810	4,390
Miscellaneous	126,914	127,971	251,110	123,139
<i>Total Revenues</i>	<u>56,645,166</u>	<u>56,864,622</u>	<u>57,297,901</u>	<u>433,279</u>
Expenditures				
Current:				
Park Operations	16,186,040	16,332,853	15,159,357	1,173,496
Zoo Operations	14,746,332	14,880,087	14,682,627	197,460
Golf Course	5,220,522	5,267,874	5,103,250	164,624
Ranger Department	6,110,044	6,165,464	5,853,757	311,707
Administration	10,371,248	10,485,447	9,798,402	687,045
Capital Outlay	25,573,455	25,805,416	22,792,978	3,012,438
<i>Total Expenditures</i>	<u>78,207,641</u>	<u>78,937,141</u>	<u>73,390,371</u>	<u>5,546,770</u>
<i>Excess of Expenditures Over Revenues</i>	(21,562,475)	(22,072,519)	(16,092,470)	5,980,049
Other Financing Sources				
Proceeds from Sale of Capital Assets	146,513	146,513	146,513	0
<i>Excess of Expenditures over Revenues and Other Financing Sources</i>	(21,415,962)	(21,926,006)	(15,945,957)	5,980,049
<i>Fund Balance Beginning of Year</i>	16,944,532	16,944,532	16,944,532	0
Prior Year Encumbrances Appropriated	8,738,411	8,738,411	8,738,411	0
<i>Fund Balance End of Year</i>	<u>\$4,266,981</u>	<u>\$3,756,937</u>	<u>\$9,736,986</u>	<u>\$5,980,049</u>

See accompanying notes to the basic financial statements

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Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

Note 1 - Reporting Entity and Basis of Presentation

The Cleveland Metropolitan Park District (the District) is a body politic established on July 23, 1917, by the Cuyahoga County Probate Court, under the authority of Section 1545.01, Ohio Revised Code.

The District's governing body is a three member Board of Park Commissioners (the Commissioners), who are appointed to three year terms by the Cuyahoga County Probate Court. Cuyahoga County cannot directly impose its will on the District; therefore, the District is not a related organization of Cuyahoga County.

The District is dedicated to the conservation of natural resources and wildlife, while providing various recreational facilities and services which are to be enjoyed by the public. These activities are directly controlled by the Commissioners through the budgetary process and are included within this report.

In evaluating how to define the District for financial reporting purposes, management has considered all agencies, departments and organizations making up the Cleveland Metropolitan Park District and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity."

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Currently, the District has no component units.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental activities, provided they don't conflict with or contradict GASB pronouncements.

A. Basis of Presentation

The District's basic financial statements consist of government-wide 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 District as a whole.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District accounts for its financial activities in a single governmental fund. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. 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. The difference between governmental fund assets and liabilities is reported as fund balance. The District's only governmental fund is the General Fund which accounts for all financial resources. The general fund balance is available to the District for any purpose provided it is expended according to the general laws of Ohio.

B. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements

The General Fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the General Fund.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The General Fund uses the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: state-levied locally shared taxes, damages and fines, interest, grants and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Cash and Cash Equivalents

The District utilizes a fiscal agent to hold retainage on construction contracts. The balances of these accounts are presented on the combined balance sheet as "cash and cash equivalents with fiscal agents".

During 2003 the District's investments were limited to non-negotiable certificates of deposit, repurchase agreements, and STAROhio.

Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

STAROhio is an investment pool managed by the State Treasurer's Office. STAROhio allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2003.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amounted to \$250,208.

Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

E. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the general fund when purchased.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

G. Capital Assets

The District's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the financial statements of the general fund.

All capital assets, except for the District's collection of zoo animals, are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The capitalization thresholds for the District's capital assets are as follows:

Land	All
Construction in Progress	All
Buildings	\$50,000
Machinery and Equipment	1,000
Vehicles	1,000
Infrastructure	All

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

The District's infrastructure consists of bridges, fords, dams, roads, all purpose trails, golf course cart paths and other paved areas.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the District's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	40 years
Equipment	10 years
Vehicles	7 years
Infrastructure	20 – 40 years

H. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. However, compensated absences are reported as a liability in the fund financial statements only to the extent payments come due each period upon the occurrence of employee resignations and retirements.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The District records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based upon the District's past experience of making termination payments.

J. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

M. Budgetary Process

The general fund is legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, 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 Commissioners may appropriate. The appropriations resolution is the Commissioner's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Commissioners. The legal level of control has been established by the Commissioners at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the Commissioners.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. 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 the final appropriations were passed. The appropriation resolution is 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 resolution 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 Commissioners during the year.

Note 3 - Changes in Accounting Principles and Restatement of Net Assets

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the governments not being able to present budgetary comparisons for the general and each major special revenue fund. This change does not have an effect on the financial statements.

During 2003, it was determined that capital assets were overstated and accumulated depreciation was understated by \$10,277,281 and \$574,512, respectively, due to double posting of additions in prior years and incorrect posting of accumulated depreciation in machinery and equipment. The restatement resulted in a change in net assets from \$161,303,338 to \$150,451,545 at December 31, 2002.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

Note 4 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, general fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unrecorded expenditures and cash represent amounts expended or received but not included as expenditures or revenues on the budget basis operating statements. These amounts are included as expenditures and revenues on the GAAP basis operating statements.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$10,266,557)
Net Adjustment for Revenue Accruals	60,768
Net Adjustment for Expenditure Accruals	1,680,447
Encumbrances	<u>(7,420,615)</u>
Budget Basis	<u><u>(\$15,945,957)</u></u>

Note 5 - Deposits and Investments

State statutes classify monies held by the District into three categories.

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

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

Inactive deposits are public deposits that the Board of Park Commissioners has 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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies may be deposited or invested in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of purchase;
4. Bonds and other obligations of the State of Ohio;
5. No load market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and;
6. The State Treasurer's investment pool (STAROhio).

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 District, and must be purchased with the expectation that it will be held to maturity.

The following information classifies deposits and investments by categories as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year-end, the carrying amount of the District's deposits was \$13,097,719 and the bank balance was \$13,385,779. Of the bank balance, \$337,364 was covered by federal depository insurance and \$13,048,415 was collateralized and uninsured. Although the securities were held by the pledging financial institution's trust department or agent in the District's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the District to an unsuccessful claim to the FDIC.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

Investments Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$1,501,000	\$1,501,000	\$1,501,000
STAROhio	0	2,696,859	2,696,859
<i>Total Investments</i>	<u>\$1,501,000</u>	<u>\$4,197,859</u>	<u>\$4,197,859</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$17,295,578	\$0
Repurchase Agreements	(1,501,000)	1,501,000
STAROhio	(2,696,859)	2,696,859
GASB Statement No. 3	<u>\$13,097,719</u>	<u>\$4,197,859</u>

Note 6 - Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in Cuyahoga County and Districts 16 and 17 in Medina County. Property tax revenue received during 2003 for real and public property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2003 public utility property taxes which became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all District operations for the year ended December 31, 2003 was \$1.55 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

	Cuyahoga County	Medina County
Real Property	\$24,999,197,910	\$219,362,700
Public Utility Property	947,985,820	5,159,320
Tangible Personal Property	2,808,829,642	5,738,924
Total Assessed Value	<u>\$28,756,013,372</u>	<u>\$230,260,944</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due by September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurers collect property taxes on behalf of all taxing districts in the county, including the Cleveland Metropolitan Park District. The County Auditors periodically remit to the District its portion of the taxes collected. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003 and for which there is an enforceable legal claim. In the general fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2003 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

Note 7 - Receivables

Receivables at December 31, 2003 primarily consisted of property taxes, accounts (billings for user charged services) and intergovernmental receivables. All receivables are considered fully collectible. The principal items of intergovernmental receivables are fees from other governmental entities.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

Note 8 - Capital Assets

A summary of changes in capital assets during 2003 follows:

	Balance 12/31/2002	Additions	Deletions	Balance 12/31/2003
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$24,339,828	\$2,165,363	\$0	\$26,505,191
Construction in Progress	5,223,685	11,514,944	(3,325,316)	13,413,313
<i>Total Capital Assets, not being depreciated</i>	<u>29,563,513</u>	<u>13,680,307</u>	<u>(3,325,316)</u>	<u>39,918,504</u>
Capital Assets, being depreciated:				
Buildings	72,891,305	1,807,484	0	74,698,789
Machinery and Equipment	11,466,763	927,079	(633,090)	11,760,752
Vehicles	7,530,310	635,291	(551,584)	7,614,017
Infrastructure		0	0	
Bridges	19,034,404	0	0	19,034,404
Fords	1,809,757	0	0	1,809,757
Dams	85,000	0	0	85,000
Roads	10,854,222	559,058	(573,045)	10,840,235
All Purpose Trails	15,573,315	611,455	(122,372)	16,062,398
Golf Course Cart Paths	694,693	0	0	694,693
Other Paved Areas	3,660,504	0	(106,168)	3,554,336
<i>Total Capital Assets, being Depreciated</i>	<u>143,600,273</u>	<u>4,540,367</u>	<u>(1,986,259)</u>	<u>146,154,381</u>
<i>Total Capital Assets, Governmental Activities</i>	<u>173,163,786</u>	<u>18,220,674</u>	<u>(5,311,575)</u>	<u>186,072,885</u>
Less Accumulated Depreciation:				
Buildings	(20,142,509)	(1,806,288)	0	(21,948,797)
Machinery and Equipment	(6,151,459)	(872,738)	430,507	(6,593,690)
Vehicles	(4,286,207)	(666,727)	507,332	(4,445,602)
Infrastructure				
Bridges	(5,554,446)	(466,107)	0	(6,020,553)
Fords	(194,822)	(45,214)	0	(240,036)
Dams	(85,000)	0	0	(85,000)
Roads	(4,663,927)	(514,059)	573,045	(4,604,941)
All Purpose Trails	(4,753,960)	(772,548)	122,372	(5,404,136)
Golf Course Cart Paths	(257,462)	(34,735)	0	(292,197)
Other Paved Areas	(1,403,724)	(177,717)	106,168	(1,475,273)
<i>Total Accumulated Depreciation</i>	<u>(47,493,516)</u>	<u>(5,356,133) *</u>	<u>1,739,424</u>	<u>(51,110,225)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>96,106,757</u>	<u>(815,766)</u>	<u>(246,835)</u>	<u>95,044,156</u>
<i>Governmental Activities Capital Assets, Net (Restated)</i>	<u>\$125,670,270</u>	<u>\$12,864,541</u>	<u>(\$3,572,151)</u>	<u>\$134,962,660</u>

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

* Depreciation expense was charged to governmental functions as follows:

Park Operations	\$3,141,949
Zoo Operations	1,616,793
Golf Course	307,704
Rangers	108,129
Administration	181,558
Total	<u><u>\$5,356,133</u></u>

Note 9 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The 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% 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 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The District's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the District's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$2,414,194, \$2,337,491, and \$2,386,298 respectively; 96.95 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$32,763 made by the District and \$20,553 made by the plan members.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

Note 10 - Postemployment Benefits

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 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 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, 2002, 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 4.00 percent annually.

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 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$1,411,810. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

Note 11 - Compensated Absences

The criteria for determining vacation and sick leave liabilities are derived from negotiated agreements. Employees earn vacation and sick leave at different rates which are also affected by length of service. Vacation can be accumulated for up to three years. Sick leave accrual is continuous, without limit.

Upon retirement, termination, or death, employees with ten or more years of service with the District will be paid for one fourth of their accumulated hours of sick leave. Upon retirement, termination, or death, an employee will be paid for unused vacation up to the three year limit.

Holiday time may be accumulated for rangers and compensatory time earned must be taken by the end of the subsequent calendar year.

Note 12 - Long Term Obligations

Changes in the long-term obligations of the District during 2003 were as follows:

	<u>Outstanding 12/31/2002</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding 12/31/2003</u>	<u>Amount Due in One Year</u>
Compensated Absences	<u>\$4,455,948</u>	<u>\$435,735</u>	<u>(\$246,454)</u>	<u>\$4,645,229</u>	<u>\$803,283</u>

Compensated absences will be paid from the general fund.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

Note 13 - Risk Management

The 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 2003, the District contracted with several companies for various types of insurance as follows:

Company	Type	Coverage
St. Paul	Flood	\$5,000,000
	Employment Practices	1,000,000
	General Liability	1,000,000
	Liquor Liability	1,000,000
	Excess Liability	10,000,000
	Property	100,000,000
	Automobile Liability	1,000,000
	Inland Marine	8,773,678
	Public Official/Law Enforcement	1,000,000
	Boiler and Machinery	30,000,000
	Data Processing Equipment	1,600,000
	Commercial Crime	250,000
Ohio Casualty	Treasurer Bond	1,000,000

Workers' compensation coverage is provided by the State. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded coverage in any of the last five years.

Note 14 - Contractual Commitments

At December 31, 2003, the District's significant contractual commitments consisted of:

	Contract Amount	Amount Paid	Remaining on Contract
Manakiki Irrigaton Pump Improvements	\$145,350	\$11,330	\$134,020
Zoo Parking Improvements	366,524	164,551	201,973
Ranger Headquarters Improvements	10,302,898	7,309,576	2,993,322
Zoo Animal Hospital Improvements	7,673,263	1,999,652	5,673,611
Mill Creek Trail Improvements	1,426,514	63,760	1,362,754
Washington Site Improvements	710,849	131,086	579,763
Rockcliffe Retaining Wall Improvements	1,674,188	23,247	1,650,941
Zoo Expansion and Improvements	365,397	74,745	290,652
Total	\$22,664,983	\$9,777,947	\$12,887,036

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2003

Note 15 - Contingencies

The District is a party to legal proceedings seeking damages. The District management is of the opinion that the ultimate disposition of a majority of the claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Cleveland Metropolitan Park District
Cuyahoga County
4101 Fulton Parkway
Cleveland, Ohio 44144

We have audited the financial statements of the governmental activities and the major fund of the Cleveland Metropolitan Park District, Cuyahoga County, Ohio (the Park District) as of and for the year ended December 31, 2003, which collectively comprise the Park District's basic financial statements and have issued our report thereon dated August 18, 2004, wherein we noted the Park District restated its capital assets and related accumulated depreciation for Governmental Type Activities as of December 31, 2002 and for the year then ended. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Park District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Park District in a separate letter dated August 18, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Park District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Park District in a separate letter dated August 18, 2004.

This report is intended for the information and use of the audit committee, management, and the Park Board, and is not intended to be and should not be used by 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

August 18, 2004



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

CLEVELAND METROPOLITAN PARK DISTRICT

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
OCTOBER 7, 2004**