



**CLEVELAND METROPOLITAN PARK DISTRICT
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

**CLEVELAND METROPOLITAN PARK DISTRICT
CUYAHOGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Park Commissioners
Cleveland Metropolitan Park District
Cuyahoga County
4101 Fulton Parkway
Cleveland, OH 44144

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and the major fund of the Cleveland Metropolitan Park District, Cuyahoga County, Ohio, (the District) as of and for the years ended December 31, 2004 and December 31, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cleveland Zoological Society, a discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cleveland Zoological Society is based on the report of the other auditor.

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. The financial statements of the Cleveland Zoological Society were not audited in accordance with *Government Auditing Standards*, but were audited in accordance with auditing standards generally accepted in the United States of America. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and the major fund of the Cleveland Metropolitan Park District, Cuyahoga County, Ohio, as of December 31, 2004 and December 31, 2003, and the respective changes in financial position and the budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during fiscal year 2004, the District adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which required the Cleveland Zoological Society to be reported as a component unit.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

July 29, 2005

Cleveland Metropolitan Park District, Cuyahoga County

Management's Discussion and Analysis

For the Year Ended December 31, 2004

(With Comparative Amounts for 2003 and 2002)

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 years ended December 31, 2004, 2003 and 2002. 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 2004 are as follows:

- In total, Net Assets decreased \$1,329,314 or less than 1 percent from 2003.
- Total Liabilities increased by \$14,255,025 or 31.6 percent from 2003, primarily due to increased deferred revenue attributable to the new replacement levy passed in 2004.
- The District had \$56,739,418 in expenses. Only \$14,313,457 of these expenses were offset by program specific charges for services, operating and capital grants and contributions, along with \$41,096,647 in general revenues.

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 provide 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, the District's activities are divided into two types of activities:

- Governmental Activities – All of the District's services are reported here including zoo operations, park operations, golf course, ranger department and administration.

Cleveland Metropolitan Park District, Cuyahoga County

Management's Discussion and Analysis

For the Year Ended December 31, 2004

(With Comparative Amounts for 2003 and 2002)

Unaudited

- **Component Unit** – The District includes the financial data of the Cleveland Zoological Society (the Zoo Society). The Zoo Society is a nonprofit organization which operates under a ten-member board of trustees. The Zoo Society promotes the conservation and propagation of wildlife – particularly endangered species – primarily through the support of the Cleveland Metropolitan Park District (the District). The Zoo Society will engage the community in support of the Cleveland Zoo (the Zoo) and its mission is to improve the future for wildlife and marshal the resources necessary to ensure that the Zoo remains one of the region's preeminent destinations and ultimately one of the top five zoos in the country. Since the economic resources received by the Zoo Society are almost entirely for the benefit of and accessible to the District, the Zoo Society is presented as a component unit of the District.

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 difference) 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 2004 compared to 2003 and 2002.

	2004	2003	2002
Assets			
Current and Other Assets	\$68,882,491	\$62,017,469	\$67,580,068
Nondepreciable Capital Assets	38,416,116	39,918,504	29,563,513
Depreciable Capital Assets	102,607,233	95,044,156	96,106,757
<i>Total Assets</i>	<u>209,905,840</u>	<u>196,980,129</u>	<u>193,250,338</u>
Liabilities			
Current and Other Liabilities	54,399,218	40,400,340	38,342,845
Long-Term Liabilities:			
Due Within One Year	456,438	803,283	814,834
Due in More than One Year	4,444,938	3,841,946	3,641,114
<i>Total Liabilities</i>	<u>59,300,594</u>	<u>45,045,569</u>	<u>42,798,793</u>
Net Assets			
Invested in Capital Assets	141,023,349	134,962,660	125,670,270
Unrestricted	9,581,897	16,971,900	24,781,275
<i>Net Assets</i>	<u>\$150,605,246</u>	<u>\$151,934,560</u>	<u>\$150,451,545</u>

Cleveland Metropolitan Park District, Cuyahoga County

Management's Discussion and Analysis

For the Year Ended December 31, 2004

(With Comparative Amounts for 2003 and 2002)

Unaudited

The \$1,329,314 decrease in 2004 net assets is primarily attributed to the increase in total liabilities offset by the increase in total assets (see Table 1). On the Statement of Net Assets cash and cash equivalents decreased by \$8,827,326 for 2004. 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. This decrease was offset by a \$16.8 million increase in taxes receivable, the result of the new 1.8 mill replacement levy passed in November 2004.

In 2003, assets increased by \$3,729,791 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 in 2004 increased by \$14,255,025 from 2003, primarily due to increased deferred revenue attributable to the new replacement levy passed in 2004. In 2003, liabilities increased by \$2,246,776 from 2002, primarily due to increased accounts and contracts payable reported in 2003 compared to 2002.

Table 2 shows the changes in net assets for the years ended December 31, 2004, 2003 and 2002.

Table 2
Changes in Net Assets

	2004	2003	2002
Revenues			
Program Revenues			
Charges for Services	\$13,612,949	\$14,463,141	\$12,792,204
Operating Grants and Contributions	472,840	518,333	587,846
Capital Grants and Contributions	227,668	3,828,063	4,609,809
Total Program Revenues	<u>14,313,457</u>	<u>18,809,537</u>	<u>17,989,859</u>
General Revenues			
Property Taxes	33,801,710	34,411,520	34,473,880
Grants and Entitlements	6,878,708	6,174,217	5,023,050
Investment Earnings	203,684	250,208	609,781
Miscellaneous	212,545	238,114	491,642
Total General Revenues	<u>41,096,647</u>	<u>41,074,059</u>	<u>40,598,353</u>
<i>Total Revenues</i>	<u>55,410,104</u>	<u>59,883,596</u>	<u>58,588,212</u>
Program Expenses			
Park Operations	18,778,385	19,802,850	18,830,114
Zoo Operations	15,988,629	17,663,078	15,646,555
Golf Course	6,209,354	5,438,719	5,662,750
Ranger Department	6,855,859	6,010,583	5,828,885
Administration	8,907,191	9,485,351	9,054,317
<i>Total Program Expenses</i>	<u>56,739,418</u>	<u>58,400,581</u>	<u>55,022,621</u>
<i>Change in Net Assets</i>	(1,329,314)	1,483,015	3,565,591
<i>Net Assets Beginning of Year</i>	<u>151,934,560</u>	<u>150,451,545</u>	<u>146,885,954</u>
<i>Net Assets End of Year</i>	<u><u>\$150,605,246</u></u>	<u><u>\$151,934,560</u></u>	<u><u>\$150,451,545</u></u>

Cleveland Metropolitan Park District, Cuyahoga County

Management's Discussion and Analysis

For the Year Ended December 31, 2004

(With Comparative Amounts for 2003 and 2002)

Unaudited

Several revenue sources fund our District. Property tax is the biggest contributor and accounted for 61.0 percent of gross revenue in 2004, compared to 57.4 in 2003 and 58.9 in 2002. 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 was replaced in November 2004 with a new 1.8 mill levy, which will continue through 2014.

In 2004, Grants and entitlements increased \$704,491 in 2004 due to a slight increase in local government monies and the increase in homestead and rollback due to the increased levy millage.

The \$3,550,395 decrease in capital grants and contributions in 2004 was primarily the result of the District receiving more OPWC monies in the prior year, along with a larger amount owed to the District from the Cleveland Zoological Society in 2003 for pledges.

With the limited resources available in 2004 a hiring freeze was instituted and various program expenses were curtailed in 2004.

The District has maintained a philosophy to strive for self-sufficiency in the areas dedicated to recreation such as the golf courses, Zoo, The Chalet and Aquatics. As a result of this, charges for services for 2004 accounted for \$13,612,949, which is 24.6 percent of gross revenue, compared to \$14,463,141 or 24.2 percent of gross revenue in 2003 and \$12,792,204 or 21.9 percent of gross revenue in 2002.

The expense of park operations, including outdoor education represented 33.1 percent of our total program expenses during 2004, compared to 33.9 percent in 2003 and 34.2 percent in 2002. Maintenance of the fifteen park reservations, connecting roads and trails represent a significant part of this expense.

In 2004, zoo operation expenses amounted to \$15,988,629 of the total program expenses or 28.2 percent of program expenses, compared to \$17,663,078 or 30.25 percent in 2003 and \$15,646,555 or 28.4 percent in 2002.

The District has six golf courses. Of the six courses, two have nine holes, one has thirty-six holes, and three have eighteen holes. Golf course operations amounted to \$6,209,354 of the total program expenses of the District, or 10.9 percent, in 2004, compared to \$5,438,719 or 9.3 percent in 2003 and \$5,662,750 or 10.3 percent in 2002.

The ranger department continues to monitor and provide safety for District visitors and facilities. The ranger department accounts for \$6,855,859 of the total program expense or 12.1 percent of the total in 2004, compared to \$6,010,583 or 10.3 percent in 2003 and \$5,828,885 or 10.6 percent in 2002.

The District's Fund

Information about the District's governmental fund begins on page 12. This fund is accounted for using the modified accrual basis of accounting. The District had Governmental revenues of \$55,332,709 and expenditures of \$62,570,405. Expenditures decreased \$5,079,798 from 2003 due to early completion of the Park Operations/Ranger Headquarters complex.

Cleveland Metropolitan Park District, Cuyahoga County

Management's Discussion and Analysis

For the Year Ended December 31, 2004

(With Comparative Amounts for 2003 and 2002)

Unaudited

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 2004 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 \$55,945,345; final budget amount was \$56,813,918 and the actual revenue was \$56,752,993. The major factors contributing to the increase of actual revenues over original budgeted revenues were increased revenues in zoo receipts and property taxes.

Capital Assets

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

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Land	\$27,402,390	\$26,505,191	\$24,339,828
Construction in Progress	11,013,726	13,413,313	5,223,685
Buildings	61,408,418	52,749,992	52,748,796
Machinery and Equipment	4,788,663	5,167,062	5,315,304
Vehicles	2,779,909	3,168,415	3,244,103
Infrastructure:			
Bridges	12,641,769	13,013,851	13,479,958
Fords	1,524,507	1,569,721	1,614,935
Roads	7,050,714	6,235,294	6,190,295
All Purpose Trails	10,123,147	10,658,262	10,819,355
Golf Course Cart Paths	367,761	402,496	437,231
Other Paved Areas	1,922,345	2,079,063	2,256,780
<i>Totals</i>	<u>\$141,023,349</u>	<u>\$134,962,660</u>	<u>\$125,670,270</u>

The increase in capital assets of \$6,060,689 in 2004 and \$9,292,390 in 2003 of was attributable to additional construction projects and park road projects. During 2004, the Park Operations/Ranger Administrative Center was completed. Construction began in 2004 for the Washington Golf Learning Center, rehabilitation of the Bedford Management Center and Washington Park; and improvements at the Chalet (Cleveland Metroparks winter recreation facility). The Zoo saw new boilers for the RainForest, a new roof for the Rhino Building, and other various projects. The construction in progress of \$11,013,726 listed above contains approximately \$8.5 million related to the new zoo animal hospital that was not completed by the end of 2004.

Cleveland Metropolitan Park District, Cuyahoga County

Management's Discussion and Analysis

For the Year Ended December 31, 2004

(With Comparative Amounts for 2003 and 2002)

Unaudited

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 assess the financial performance of each department, as well as the District as a whole.

Non-tax funds. Non-tax funds coming to the District are attributable to initiatives of District personnel and generosity of other organizations. As a result of these efforts, the District golf courses, Zoo, The Chalet, Aquatics, and other program operations increased earned revenue in 2004, moving successfully toward a goal of "self-sufficiency." For example, the Zoo's commitment toward "self-sufficiency" reached 46.9 percent in 2004.

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 12 consecutive fiscal years beginning January 1, 1993 through December 31, 2004.

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@clevelandmetroparks.com.

Cleveland Metropolitan Park District, Cuyahoga County

Statement of Net Assets

December 31, 2004

(With Comparative Amounts for 2003)

	Primary Government		Component Unit
	Governmental		Cleveland
	Activities		Zoological
	2004	2003	Society
			2004
Assets			
Cash and Cash Equivalents	\$8,061,821	\$16,889,147	\$3,120,106
Cash and Cash Equivalents With Fiscal Agents	402,338	406,431	0
Investments	0	0	3,649,968
Charitable Gift Annuities	0	0	74,912
Charitable Remainder Trust	0	0	169,220
Materials and Supplies Inventory	959,020	882,876	0
Accrued Interest Receivable	0	3,375	0
Accounts Receivable	17,919	9,348	0
Pledges Receivable	0	0	522,711
Due from Zoological Society	616,691	1,995,301	0
Intergovernmental Receivable	3,054,822	2,851,201	5,300
Prepaid Items	50,201	66,785	41,870
Taxes Receivable	55,719,679	38,913,005	0
Nondepreciable Capital Assets	38,416,116	39,918,504	0
Depreciable Capital Assets, Net	102,607,233	95,044,156	60,381
<i>Total Assets</i>	<u>209,905,840</u>	<u>196,980,129</u>	<u>7,644,468</u>
Liabilities			
Accounts Payable	863,726	1,279,496	56,512
Contracts Payable	45,570	1,673,598	0
Accrued Wages	561,041	1,359,378	0
Matured Compensated Absences Payable	4,887	72,496	0
Due to Primary Government	0	0	616,691
Retainage Payable	402,338	406,431	0
Intergovernmental Payable	291,725	359,361	0
Split Interest Agreements Payable	0	0	119,500
Deferred Revenue	52,229,931	35,249,580	0
Long-Term Liabilities:			
Due Within One Year	456,438	803,283	0
Due In More Than One Year	4,444,938	3,841,946	0
<i>Total Liabilities</i>	<u>59,300,594</u>	<u>45,045,569</u>	<u>792,703</u>
Net Assets			
Invested in Capital Assets	141,023,349	134,962,660	60,381
Restricted for			
Educational and Conservation Grants	0	0	457,075
Animal Purchases	0	0	4,157
Marketing Sponsorships	0	0	136,275
Charitable Remainder Trust	0	0	88,705
Neotropical Research	0	0	71,435
Endowment Funds	0	0	47,000
Unrestricted	9,581,897	16,971,900	5,986,737
<i>Total Net Assets</i>	<u>\$150,605,246</u>	<u>\$151,934,560</u>	<u>\$6,851,765</u>

See accompanying notes to the basic financial statements

Cleveland Metropolitan Park District, Cuyahoga County

Statement of Activities

For the Year Ended December 31, 2004

(With Comparative Amounts for 2003)

2004						
	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Cleveland Zoological Society
Primary Government						
Governmental Activities						
Park Operations	\$18,778,385	\$975,305	\$97,549	\$0	(\$17,705,531)	\$0
Zoo Operations	15,988,629	7,137,528	136,736	227,668	(8,486,697)	0
Golf Course	6,209,354	5,447,737	0	0	(761,617)	0
Ranger Department	6,855,859	52,379	1,560	0	(6,801,920)	0
Administration	8,907,191	0	236,995	0	(8,670,196)	0
<i>Total Primary Government</i>	<u>\$56,739,418</u>	<u>\$13,612,949</u>	<u>\$472,840</u>	<u>\$227,668</u>	<u>(42,425,961)</u>	<u>0</u>
Component Unit						
Cleveland Zoological Society	\$4,525,751	\$0	\$763,722	\$16,859	0	(3,745,170)
<i>Totals</i>	<u>61,265,169</u>	<u>13,612,949</u>	<u>1,236,562</u>	<u>244,527</u>	<u>(42,425,961)</u>	<u>(3,745,170)</u>
General Revenues						
Property Taxes					33,801,710	0
Grants and Entitlements not Restricted to Specific Programs					6,878,708	0
Investment Earnings					203,684	303,315
Unrestricted Contributions					0	3,098,022
Miscellaneous					212,545	692,107
<i>Total General Revenues</i>					<u>41,096,647</u>	<u>4,093,444</u>
Change in Net Assets					(1,329,314)	348,274
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>					<u>151,934,560</u>	<u>6,503,491</u>
<i>Net Assets End of Year</i>					<u>\$150,605,246</u>	<u>\$6,851,765</u>

See accompanying notes to the basic financial statements

Cleveland Metropolitan Park District, Cuyahoga County

Statement of Activities

For the Year Ended December 31, 2004

(With Comparative Amounts for 2003)

2003					Net (Expense) Revenue and Changes in Net Assets
Program Revenues					Primary Government Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary Government					
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	96,546	2,268,836	(7,400,923)
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)
Totals	58,400,581	14,463,141	518,333	3,828,063	(39,591,044)
General Revenues					
Property Taxes					34,411,520
Grants and Entitlements not Restricted to Specific Programs					6,174,217
Investment Earnings					250,208
Miscellaneous					238,114
Total General Revenues					41,074,059
Change in Net Assets					1,483,015
Net Assets Beginning of Year					150,451,545
Net Assets End of Year					\$151,934,560

See accompanying notes to the basic financial statements

Cleveland Metropolitan Park District, Cuyahoga County

Balance Sheet

Governmental Fund

December 31, 2004

(With Comparative Amounts for 2003)

	2004	2003
	General Fund	General Fund
Assets		
Cash and Cash Equivalents	\$8,061,821	\$16,889,147
Cash and Cash Equivalents With Fiscal Agents	402,338	406,431
Materials and Supplies Inventory	959,020	882,876
Accrued Interest Receivable	0	3,375
Accounts Receivable	17,919	9,348
Due from Component Unit	616,691	1,995,301
Intergovernmental Receivable	3,054,822	2,851,201
Prepaid Items	50,201	66,785
Taxes Receivable	55,719,679	38,913,005
<i>Total Assets</i>	<u>\$68,882,491</u>	<u>\$62,017,469</u>
Liabilities and Fund Balances		
Liabilities		
Accounts Payable	\$863,726	\$1,279,496
Contracts Payable	45,570	1,673,598
Accrued Wages	561,041	1,359,378
Matured Compensated Absences Payable	4,887	72,496
Retainage Payable	402,338	406,431
Intergovernmental Payable	291,725	359,361
Deferred Revenue	58,440,846	41,383,100
<i>Total Liabilities</i>	<u>60,610,133</u>	<u>46,533,860</u>
Fund Balance		
Reserved for Encumbrances	905,936	4,598,714
Unreserved, Undesignated	7,366,422	10,884,895
<i>Total Fund Balance</i>	<u>8,272,358</u>	<u>15,483,609</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$68,882,491</u>	<u>\$62,017,469</u>

See accompanying notes to the basic financial statements

Cleveland Metropolitan Park District, Cuyahoga County
*Reconciliation of Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004 and 2003*

	2004	2003
Total Governmental Fund Balances	\$8,272,358	\$15,483,609
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	141,023,349	134,962,660
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the fund:		
Intergovernmental	2,721,167	2,470,095
Property and Other Taxes	<u>3,489,748</u>	<u>3,663,425</u>
Total	6,210,915	6,133,520
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.	<u>(4,901,376)</u>	<u>(4,645,229)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$150,605,246</u></u>	<u><u>\$151,934,560</u></u>
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, 2004
 (With Comparative Amounts for 2003)

	2004	2003
Revenues		
Property Taxes	\$33,975,387	\$33,766,677
Intergovernmental	6,628,116	4,582,640
Donations and Sponsors	700,508	5,931,654
Interest	203,684	250,208
Golf Receipts	5,447,307	5,402,646
Zoo Receipts	7,137,528	7,896,773
Park Receipts	975,255	1,072,821
Damages and Fines	52,379	90,901
Miscellaneous	212,545	238,114
<i>Total Revenues</i>	<u>55,332,709</u>	<u>59,232,434</u>
Expenditures		
Current:		
Park Operations	14,613,128	15,410,001
Zoo Operations	13,309,315	15,695,448
Golf Course	5,104,129	5,071,615
Ranger Department	6,042,763	5,839,030
Administration	8,539,874	9,293,617
Capital Outlay	14,961,196	16,340,492
<i>Total Expenditures</i>	<u>62,570,405</u>	<u>67,650,203</u>
<i>Excess of Expenditures Over Revenues</i>	(7,237,696)	(8,417,769)
Other Financing Sources		
Proceeds from Sale of Capital Assets	26,445	146,513
<i>Net Change in Fund Balance</i>	(7,211,251)	(8,271,256)
<i>Fund Balance Beginning of Year -Restated (See Note 3)</i>	<u>15,483,609</u>	<u>23,754,865</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,272,358</u></u>	<u><u>\$15,483,609</u></u>

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, 2004 and 2003*

	2004	2003
Net Change in Fund Balances - Total Governmental Fund	(\$7,211,251)	(\$8,271,256)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
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	11,957,584	14,895,358
Current Year Depreciation	<u>(5,465,154)</u>	<u>(5,356,133)</u>
Total	6,492,430	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.	(431,741)	(246,835)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.		
Intergovernmental	251,072	6,319
Delinquent Property Taxes	<u>(173,677)</u>	<u>644,843</u>
Total	77,395	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 the governmental fund.	<u>(256,147)</u>	<u>(189,281)</u>
<i>Change in Net Assets</i>	<u><u>(\$1,329,314)</u></u>	<u><u>\$1,483,015</u></u>
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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$33,377,723	\$33,959,576	\$33,975,387	\$15,811
Intergovernmental	6,609,040	6,631,250	6,627,636	(3,614)
Donations and Sponsors	2,400,360	2,454,063	2,079,118	(374,945)
Interest	107,140	108,803	206,434	97,631
Golf Receipts	5,416,752	5,500,809	5,450,298	(50,511)
Zoo Receipts	6,749,198	6,853,932	7,128,950	275,018
Park Receipts	1,030,963	1,046,962	974,999	(71,963)
Damages and Fines	87,148	88,500	97,139	8,639
Miscellaneous	167,021	170,023	213,032	43,009
<i>Total Revenues</i>	<u>55,945,345</u>	<u>56,813,918</u>	<u>56,752,993</u>	<u>(60,925)</u>
Expenditures				
Current:				
Park Operations	17,142,759	17,252,582	16,017,716	1,234,866
Zoo Operations	15,300,805	15,398,828	14,931,083	467,745
Golf Course	5,462,682	5,497,678	5,251,710	245,968
Ranger Department	6,192,273	6,231,507	6,231,507	0
Administration	9,658,261	9,685,532	9,291,803	393,729
Capital Outlay	17,247,328	17,358,256	15,673,027	1,685,229
<i>Total Expenditures</i>	<u>71,004,108</u>	<u>71,424,383</u>	<u>67,396,846</u>	<u>4,027,537</u>
<i>Excess of Expenditures Over Revenues</i>	(15,058,763)	(14,610,465)	(10,643,853)	3,966,612
Other Financing Sources				
Proceeds from Sale of Capital Assets	26,445	26,445	26,445	0
<i>Excess of Expenditures over Revenues and Other Financing Sources</i>	(15,032,318)	(14,584,020)	(10,617,408)	3,966,612
<i>Fund Balance Beginning of Year</i>	9,736,986	9,736,986	9,736,986	0
Prior Year Encumbrances Appropriated	7,420,615	7,420,615	7,420,615	0
<i>Fund Balance End of Year</i>	<u>\$2,125,283</u>	<u>\$2,573,581</u>	<u>\$6,540,193</u>	<u>\$3,966,612</u>

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 Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$33,420,745	\$33,565,134	\$33,766,677	\$201,543
Intergovernmental	4,593,455	4,599,024	6,178,358	1,579,334
Donations and Sponsors	4,600,784	4,615,500	2,351,095	(2,264,405)
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 Years Ended December 31, 2004 and 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. The District is classified as 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.

Discretely Presented Component Unit The component unit column in the entity-wide financial statements identifies the financial data of the District's component unit, the Cleveland Zoological Society, which is reported separately to emphasize that it is legally separate from the District.

Cleveland Zoological Society The Cleveland Zoological Society (the Zoo Society) is a nonprofit organization which operates under a ten-member board of trustees. The Zoo Society promotes the conservation and propagation of wildlife – particularly endangered species – primarily through the support of the Cleveland Metropolitan Park District (the District). The Zoo Society will engage the community in support of the Cleveland Zoo (the Zoo) and its mission is to improve the future for wildlife and will marshal the resources necessary to ensure that the Zoo remains one of the region's preeminent destinations and ultimately one of the top five zoos in the country. Since the economic resources received by the Zoo Society are almost entirely for the benefit of and accessible to the District, the Zoo Society is presented as a component unit of the District. Financial statements can be obtained from the Cleveland Zoological Society, 3900 Wildlife Way, Cleveland, Ohio 44109.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit for the year ended December 31, 2004 is presented in Note 16. Due to 2004 being the first year of GASB Statement No. 39, comparative statements are not required to be presented for the component unit in the basic financial statements or in Note 16.

Cleveland Metropolitan Park District, Cuyahoga County

*Notes To The Basic Financial Statements
For The Year Ended December 31, 2004 and 2003*

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.

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.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements For The Year Ended December 31, 2004 and 2003

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.

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, 2004, but which were levied to finance year 2005 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.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements For The Year Ended December 31, 2004 and 2003

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 2004 and 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.

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, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund amounted to \$203,684 during 2004 and \$250,208 during 2003.

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

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, 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. The District was able estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The District capitalizes all land, construction in progress, and infrastructure. The capitalization thresholds for the District's capital assets are as follows:

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

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.

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	5 - 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.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

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.

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. 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.

N. Comparative Data

Data for the primary government in the basic financial statements include prior-year summarized comparative information in total. Data for the component unit includes information for the year ended December 31, 2004 only.

Cleveland Metropolitan Park District, Cuyahoga County

*Notes To The Basic Financial Statements
For The Year Ended December 31, 2004 and 2003*

Note 3 – Changes in Accounting Principles

For 2004, the District has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as a component unit based on the nature and significance of their relationship with the primary government.

GASB Statement No. 46 clarifies how enabling legislation should be defined for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements of the District.

The increase in the fund balance and net assets at December 31, 2003 by \$1,995,301, to \$15,483,609 and \$151,934,560, respectively, is the result of the recognition of the receivable from the Zoological Society.

In 2004, it was determined that revenues of \$1,585,258 needed to be reclassified from donations and sponsors revenue to intergovernmental revenue for the year ended December 31, 2003. This reclassification had no effect on the District’s fund balance.

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).

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund for the years ending December 31, 2004 and 2003.

	2004	2003
GAAP Basis	(\$7,211,251)	(\$8,271,256)
Net Adjustment for Revenue Accruals	1,420,284	(1,934,533)
Net Adjustment for Expenditure Accruals	(3,162,908)	1,680,447
Encumbrances	(1,663,533)	(7,420,615)
Budget Basis	(\$10,617,408)	(\$15,945,957)

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.

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;

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements For The Year Ended December 31, 2004 and 2003

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;
6. The State Treasurer's investment pool (STAROhio);
7. Commercial Paper, and
8. Banker's Acceptances.

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 December 31, 2004 and 2003, the carrying amounts of the District's deposits were \$965,421 and \$13,097,719 and the bank balances were \$1,723,359 and \$13,385,779, respectively. Of the bank balances, \$382,198 and \$337,364, respectively, was covered by federal depository insurance and \$1,341,161 and \$13,048,415, respectively, 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.

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. At December 31, 2004 and 2003, the District's investments were as follows:

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

2004

	Category 3	Carrying Value	Fair Value
	<u> </u>	<u> </u>	<u> </u>
Repurchase Agreement	\$725,000	\$725,000	\$725,000
STAROhio	<u> 0</u>	<u>6,773,738</u>	<u>6,773,738</u>
<i>Total Investments</i>	<u><u>\$725,000</u></u>	<u><u>\$7,498,738</u></u>	<u><u>\$7,498,738</u></u>

2003

	Category 3	Carrying Value	Fair Value
	<u> </u>	<u> </u>	<u> </u>
Repurchase Agreement	\$1,501,000	\$1,501,000	\$1,501,000
STAROhio	<u> 0</u>	<u>2,696,859</u>	<u>2,696,859</u>
<i>Total Investments</i>	<u><u>\$1,501,000</u></u>	<u><u>\$4,197,859</u></u>	<u><u>\$4,197,859</u></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 at December 31, 2004 and 2003 are as follows:

2004

	Cash and Cash Equivalents/Deposits	Investments
	<u> </u>	<u> </u>
GASB Statement No. 9	\$8,464,159	\$0
Investments:		
Repurchase Agreement	(725,000)	725,000
STAROhio	<u>(6,773,738)</u>	<u>6,773,738</u>
GASB Statement No. 3	<u><u>\$965,421</u></u>	<u><u>\$7,498,738</u></u>

2003

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

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

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 2004 and 2003 for real and public property taxes represents collections of 2003 and 2002 taxes, respectively. Property tax payments received during 2004 and 2003 for tangible personal property (other than public utility property) are for 2004 and 2003 taxes.

2004 and 2003 real property taxes are levied after October 1, 2004 and 2003 on the assessed value as of January 1, 2004 and 2003, the lien dates. Assessed values are established by State law at 35 percent of appraised market value. 2004 and 2003 real property taxes are collected in and intended to finance 2005 and 2004, respectively.

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. 2004 public utility property taxes which became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes. 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.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. 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 22 percent of true value for inventory during 2004. During 2003, inventory was 23 percent of true value.

The full tax rate for all District operations for the years ended December 31, 2004 and 2003 was \$1.55 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 and 2003 property tax receipts were based are as follows:

2004:

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

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

2003:

	<u>Cuyahoga County</u>	<u>Medina County</u>
Real Property	\$24,799,145,066	\$200,053,120
Public Utility Property	943,736,136	4,249,690
Tangible Personal Property	<u>2,802,832,704</u>	<u>5,996,668</u>
Total Assessed Value	<u>\$28,545,713,906</u>	<u>\$210,299,478</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, 2004 and 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 2004 and 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, 2004 and 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 entitlements and shared revenues.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004

Note 8 - Capital Assets

A summary of changes in capital assets during 2004 and 2003 follows:

2004

	Balance 12/31/03	Additions	Deletions	Balance 12/31/04
Governmental Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	26,505,191	897,199	0	27,402,390
Construction in Progress	13,413,313	9,965,008	(12,364,595)	11,013,726
<i>Total Capital Assets Not Being Depreciated</i>	<u>39,918,504</u>	<u>10,862,207</u>	<u>(12,364,595)</u>	<u>38,416,116</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	74,698,789	10,767,428	(1,466,991)	83,999,226
Machinery & Equipment	11,760,752	593,143	(116,952)	12,236,943
Vehicles	7,614,017	432,103	(251,471)	7,794,649
Infrastructure				
Bridges	19,034,404	93,124	0	19,127,528
Fords	1,809,757	0	0	1,809,757
Dams	85,000	0	0	85,000
Roads	10,840,235	1,321,927	(710,086)	11,452,076
All Purpose Trails	16,062,398	252,247	(315,157)	15,999,488
Golf Course Cart Paths	694,693	0	0	694,693
Other Paved Areas	3,554,336	0	(419,980)	3,134,356
<i>Total Capital Assets Being Depreciated</i>	<u>146,154,381</u>	<u>13,459,972 #</u>	<u>(3,280,637)</u>	<u>156,333,716</u>
<i>Total Capital Assets, Governmental Activities</i>	<u>186,072,885</u>	<u>24,322,179</u>	<u>(15,645,232)</u>	<u>194,749,832</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(21,948,797)	(1,811,996)	1,169,985	(22,590,808)
Machinery & Equipment	(6,593,690)	(933,171)	78,581	(7,448,280)
Vehicles	(4,445,602)	(724,245)	155,107	(5,014,740)
Infrastructure				
Bridges	(6,020,553)	(465,206)	0	(6,485,759)
Fords	(240,036)	(45,214)	0	(285,250)
Dams	(85,000)	0	0	(85,000)
Roads	(4,604,941)	(506,507)	710,086	(4,401,362)
All Purpose Trails	(5,404,136)	(787,362)	315,157	(5,876,341)
Golf Course Cart Paths	(292,197)	(34,735)	0	(326,932)
Other Paved Areas	(1,475,273)	(156,718)	419,980	(1,212,011)
<i>Total Accum. Depreciation-Gov't</i>	<u>(51,110,225)</u>	<u>(5,465,154) *</u>	<u>2,848,896</u>	<u>(53,726,483)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>95,044,156</u>	<u>7,994,818</u>	<u>(431,741)</u>	<u>102,607,233</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$134,962,660</u>	<u>\$18,857,025</u>	<u>(\$12,796,336)</u>	<u>\$141,023,349</u>

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

2003

	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				
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</i>	<u>\$125,670,270</u>	<u>\$12,864,541</u>	<u>(\$3,572,151)</u>	<u>\$134,962,660</u>

*Depreciation expense for 2004 and 2003 was charged to governmental functions as follows:

	2004	2003
Park Operations	\$3,219,272	\$3,141,949
Zoo Operations	1,591,578	1,616,793
Golf Course	340,763	307,704
Rangers	132,780	108,129
Administration	180,761	181,558
Total	<u>\$5,465,154</u>	<u>\$5,356,133</u>

Cleveland Metropolitan Park District, Cuyahoga County

*Notes To The Basic Financial Statements
For The Year Ended December 31, 2004 and 2003*

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 or (800) 222-7377.

For the years ended December 31, 2004 and 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 2004 was 9.55 percent and 8.55 percent in 2003, except for those plan members in law enforcement or public safety. For those classifications, the District's pension contributions were 12.7 percent of covered payroll in 2004 and 11.7 percent in 2003.

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$2,820,277, \$2,414,194, and \$2,337,491 respectively; 98.8 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$37,031 made by the District and \$23,230 made by the plan members. In 2003, contributions to the member-directed plan were \$32,763 made by the District and \$20,553 made by the plan members.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

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

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements For The Year Ended December 31, 2004 and 2003

covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care. 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, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans for 2004 was 369,885 and 364,881 in 2003. Actual employer contributions which were used to fund postemployment benefits were \$1,181,268 in 2004 and \$1,411,810 in 2003. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively. At December 31, 2002, OPERS's net assets available for payment of benefits were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

Note 12 - Long Term Obligations

Changes in the long-term obligations of the District during 2004 and 2003 were as follows:

2004

	<u>Oustanding January 1</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Oustanding December 31</u>	<u>Amount Due in One Year</u>
Compensated Absences	\$4,645,229	\$463,230	(\$207,083)	\$4,901,376	\$456,438

2003

	<u>Oustanding January 1</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Oustanding December 31</u>	<u>Amount Due in One Year</u>
Compensated Absences	\$4,455,948	\$435,735	(\$246,454)	\$4,645,229	\$803,283

Compensated absences will be paid from the general fund.

Note 13 - 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.

Note 14 - Contractual Commitments

At December 31, 2004 and December 31, 2003, the District's significant contractual commitments consisted of:

2004

	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining on Contract</u>
Towpath East 49th and Harvard	\$1,037,401	\$0	\$1,037,401
Clubhouse Design	101,100	15,975	85,125
Hydraulic Caging	200,898	0	200,898
Zoo Animal Hospital Improvements	8,523,825	8,339,788	184,037
Rockcliffe Retaining Wall Improvements	1,674,187	1,663,387	10,800
Total	<u>\$11,537,411</u>	<u>\$10,019,150</u>	<u>\$1,518,261</u>

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

2003

	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining on Contract</u>
Manakiki Irrigation 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	<u>365,397</u>	<u>74,745</u>	<u>290,652</u>
 Total	 <u>\$22,664,983</u>	 <u>\$9,777,947</u>	 <u>\$12,887,036</u>

Note 15 - 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 2004 and 2003, the District contracted with several companies for various types of insurance as follows:

2004:

<u>Company</u>	<u>Type</u>	<u>Coverage</u>
St. Paul	Flood	\$5,000,000
	Employment Practices	2,000,000
	General Liability	2,000,000
	Liquor Liability	1,000,000
	Property	100,000,000
	Automobile Liability	1,000,000
	Inland Marine	8,773,678
	Public Official/Law Enforcement	2,000,000
	Boiler and Machinery	30,000,000
	Data Processing Equipment	1,600,000
	Commercial Crime	250,000
Western Surety	Treasurer Bond	1,000,000
Arch	Excess Liability	10,000,000

Cleveland Metropolitan Park District, Cuyahoga County

*Notes To The Basic Financial Statements
For The Year Ended December 31, 2004 and 2003*

2003:

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 16 – Cleveland Zoological Society (Zoo Society)

The Cleveland Zoological Society (Zoo Society) is a discretely presented component unit in the Cleveland Metropolitan Park District's 2004 financial statements. This is in accordance with GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". Therefore, data from the component unit is included for the year ended December 31, 2004 only.

A. Summary of Significant Accounting Policies

Nature of Organization The Cleveland Zoological Society (the Zoo Society) is a nonprofit organization established to promote the conservation and propagation of wildlife – particularly endangered species – primarily through the support of the Cleveland Metropolitan Park District (the District). The Zoo Society will engage the community in support of the Cleveland Zoo (the Zoo) and its mission is improve the future for wildlife and will marshal the resources necessary to ensure that the Zoo remains one of the region's preeminent destinations and ultimately one of the top five zoos in the country.

Basis of Accounting The financial statements of the Zoo Society have been prepared on the accrual basis of accounting.

Basis of Presentation Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standard (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Zoo Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements For The Year Ended December 31, 2004 and 2003

Reclassifications Certain reclassifications have been made to the 2003 financial statements in order to conform to the 2004 presentation.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents The Zoo Society considers unrestricted or short-term temporarily restricted, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Applicable amounts have been classified as investments on the Statement of Net Assets.

Supplemental Disclosure of Cash Flow Information During 2004, the Zoo Society incurred annuity payment liabilities of \$4,563 in conjunction with assets received under charitable gift annuity agreements.

Contributions The Zoo Society accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Unconditional promises to give are recorded as revenues in the period when the promise is received. Unconditional promises to give are recorded at their net realizable value discounted to present value using an appropriate discount rate commensurate with the risks involved. Conditional promises to give are recognized when the conditions are met. In 2004, approximately \$14,000 was received related to these bequests.

Donated Services and Materials The Zoo Society receives donated services from a variety of unpaid volunteers assisting the Zoo Society with its programs and fund-raising campaigns. No amounts have been recognized in the financial statements since the criteria for recognition of such volunteer effort under SFAS No. 116 was not satisfied. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair value at the date of receipt.

Investments In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statement of Net Assets. Realized and unrealized investment gains and losses are included within investment return in the Statement of Activities. Investment return (including gains and losses on investments, interest, and dividends) is included in the Statement of Activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Office Equipment Office equipment is carried at cost. Donated office equipment is carried at the approximate fair value at the date of donation. Depreciation of office equipment is provided over the estimated useful lives (ranging from three to seven years) of the respective assets on a straight-line basis.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

Income Taxes The Zoo Society is a qualifying organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is exempt from taxation on income related to its exempt purpose. In addition, the Zoo Society has been classified as an organization that is not a “private foundation” within the meaning of Section 509 (a) of the IRC.

B. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2004:

Unrestricted - Available for operating expenses	\$2,522,601
Donor restricted for short-term purposes	<u>597,505</u>
	3,120,106
Board designated for long-term purposes	<u>265,831</u>
Total	<u><u>\$3,385,937</u></u>

The Zoo Society maintains its cash balances with two financial institutions located in Cleveland, Ohio. Aggregate balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per institution. At December 31, 2004, there was \$2,326,786 in uninsured bank balances.

Included in cash and cash equivalents at December 31, 2004 are money market funds of \$986,354, which were not insured by the FDIC.

C. Pledges Receivable

Pledges receivable are comprised of the following:

Unrestricted - available for operating expenses	\$484,711
Restricted for SAS Center	0
Other temporarily restricted	<u>38,000</u>
Total	<u><u>\$522,711</u></u>

At December 31, 2000, the Zoo Society received a \$1,500,000 pledge designated for the Sarah Allison Steffee Center for Zoological Medicine to be located within the Zoo (the SAS Center). This pledge was to be received in two equal installments of \$750,000. The first installment was received on February 28, 2002 and the second and final installment was received in April 2004. The net present value of this pledge receivable at December 31, 2003 was \$714,375.

In conjunction with this pledge receivable, the Zoo Society has made an identical pledge to the Cleveland Metropolitan Park District. The present value of this pledge liability is \$0 at December 31, 2004 and is included in “Amounts due to Cleveland Metropolitan Park District” on the Statement of Net Assets.

During 2001, the Executive Committee of the Board of Trustees voted to commit an additional \$2.5 million of funding for the SAS Center and an additional \$62,500 of funding in 2003. Both commitments were contingent upon the Zoo Society’s ability to raise such funding from the proceeds of a capital campaign. As of December 31, 2004, the capital campaign for the SAS Center has raised cash and pledges aggregating approximately \$4.1 million. In conjunction with the capital campaign results, the Zoo Society has recorded a liability to the Cleveland Metropolitan Park District, the net present value of which is \$0 at December 31, 2004.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

Donations, including in-kind donations, specifically designated for the SAS Center aggregating \$131,867 in 2004 are reflected in the Statement of Activities as agency transactions in accordance with SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raised or Holds Contributions for Others*.

Pledges receivable at December 31, 2004 were due as follows:

Due within One Year	\$329,462
Due in Two Years	120,480
Due in Three Years	<u>100,080</u>
	550,022
Less: Discounts to Net Present Value	(21,273)
Allowance for Doubtful Accounts	<u>(6,038)</u>
Total	<u><u>\$522,711</u></u>

The present value of the liability due to the Cleveland Metropolitan Park District related to the SAS Center is \$0 at December 31, 2004.

D. Investments

Investments include approximately \$3,649,000 at December 31, 2004 of permanently restricted endowment assets and amounts restricted or designated for long-term purposes. Investments are summarized as follows:

	<u>Cost</u>	<u>Market</u>
Cash and Cash Equivalents	\$265,831	\$265,831
Corporate Bonds	213,827	215,471
Treasury Notes	301,050	306,181
Stocks and Stock Funds	<u>2,797,275</u>	<u>2,862,485</u>
Total	<u><u>\$3,577,983</u></u>	<u><u>\$3,649,968</u></u>

The following schedule summarized investment return and its classification in the Statement of Activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and Dividends	\$117,826	\$0	\$117,826
Net Realized and Unrealized Gains (Losses)	<u>191,556</u>	<u>(1,227)</u>	<u>190,329</u>
Total Investment Earnings	<u><u>\$309,382</u></u>	<u><u>(\$1,227)</u></u>	<u><u>\$308,155</u></u>

Total investment earnings of \$308,155 do not include the change in value of split interest agreements of (\$4,840).

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

E. Split Interest Agreements

The Zoo Society administers a charitable remainder trust which provides for the payment of distributions to the grantors over the trust's term which is the grantor's lifetime. Distributions to the grantors were to be at the lesser of (a) the actual trust income or (b) eight percent of the net fair market value of the trust assets. The agreement was amended to require the Zoo Society to pay the grantors the greater of (a) eight percent of \$162,500 or (b) eight percent of the total fair market value of the trust assets at the beginning of any year. Net assets of the trust are classified as temporarily restricted. At the end of the trust's term, the remaining assets are available for the unrestricted use of the Zoo Society. Investments, primarily mutual funds, held in the charitable remainder trust aggregated \$169,220 at December 31, 2004 and are reported at fair value in the Statement of Net Assets. Included in this liability under split interest agreements is \$63,945 at December 31, 2004 related to this agreement.

The Zoo Society administers various charitable gift annuities. Under these agreements, the Zoo Society remits fixed payments to the donor on a quarterly basis. Interest rates range from 7.2 percent to 8.9 percent. Using applicable mortality tables, quarterly payments are estimated to extend through 2023. Investments, primarily mutual funds, held in charitable gift annuities aggregated \$74,912 at December 31, 2004 and are reported at fair market value in the Statement of Net Assets. Included in liability under split interest agreements is \$55,555 at December 31, 2004 related to these agreements.

F. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

Education and conservation grants	\$457,075
Animal Purchase	4,157
Marketing Sponsorships	136,275
Charitable Remainder Trust	88,705
Neotropical Research	<u>71,435</u>
Total	<u><u>\$757,647</u></u>

Temporarily restricted net assets were released from donor restrictions by incurring expenditures satisfying the purpose restrictions specified by donors as follows:

SAS Center	\$16,859
Sponsorships and Educations Grants	413,504
Animal Purchase	23,000
Neotropical Research	<u>103,501</u>
Total	<u><u>\$556,864</u></u>

Permanently restricted net assets aggregating \$47,000 at December 31, 2004 consist of endowment fund assets to be held in perpetuity.

Cleveland Metropolitan Park District, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2004 and 2003

G. Cleveland Metropolitan Park District

The Zoo Society has historically provided support to the Cleveland Metropolitan Park District for a variety of Zoo programs and functions. Support is summarized below for the year ended December 31, 2004:

Metroparks Agreement	\$1,602,626
Education Expenditures	167,706
Conservation Expenditures	185,214
In-Kind Distribution	2,995
Boo at the Zoo	10,965
Levy Support	32,212
Senior Day	7,008
Zoo Lights	35,066
Other Miscellaneous Zoo Functions	86,786
Neotropical Research	<u>103,501</u>
Total	<u><u>\$2,234,079</u></u>

In September 1997, the Zoo Society entered into a seven-year agreement with the Cleveland Metropolitan Park District (the District) which requires the Zoo Society to remit to the District a specified percentage of its aggregate annual membership contribution ranging from 55 percent in 1998 to 70 percent in 2002 and thereafter. Under this agreement, the Zoo Society has recorded aggregate Zoo support of \$1,602,626 for 2004. Included in Amounts Due to Cleveland Metropolitan Park District” on the Statement of Net Assets is \$583,067, which is owed to the District under this agreement at December 31, 2004.

H. Defined Contribution Plan

Effective January 1, 1999, the Zoo Society adopted a 403(b) defined contribution plan (the plan). The Plan covers all employees who work 1,000 hours or more during a calendar year. Each participant may elect to defer a portion of their annual compensation and the Zoo Society will make a matching contribution up to three percent of the participant’s compensation. During 2004, the Zoo Society made matching contributions of \$14,335. In addition, the Zoo Society may also make discretionary contributions to the Plan. For 2004, the Zoo Society made discretionary contributions of \$8,559.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Park Commissioners:

We have audited the financial statements of the governmental activities and the major fund of the Cleveland Metropolitan Park District, Cuyahoga County, Ohio, (the District) as of and for the years ended December 31, 2004 and December 31, 2003, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 29, 2005, wherein we noted the District adopted GASB 39. We did not audit the financial statements of the Cleveland Zoological Society, a discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Cleveland Zoological Society is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated July 29, 2005, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated July 29, 2005, we reported another matter related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

July 29, 2005



**Auditor of State
Betty Montgomery**

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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
DECEMBER 13, 2005**