



**Auditor of State
Betty Montgomery**

**ERIE METROPARKS
ERIE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Erie MetroParks
Erie County
Maple Grove Center
3109 Hull Road
Huron, Ohio 44839-2165

To the Board of Commissioners:

We have audited the accompanying financial statements of the Erie MetroParks (the District) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

We performed our audits to form an opinion on the financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, Board of Park Commissioners, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 11, 2005

**ERIE METROPARKS
ERIE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Governmental Fund Types | | | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|-------------------------|-----------------|---------------------|------------------------|--------------------------------|
| | General | Debt Service | Capital Projects | Expendable Trust | |
| Cash Receipts: | | | | | |
| General Property Tax - Real Estate | \$ 1,074,563 | | | | \$ 1,074,563 |
| Intergovernmental Revenue | 157,543 | | \$ 2,125,000 | | 2,282,543 |
| Investment Income | 14,478 | | | \$ 883 | 15,361 |
| Gifts and Donations | | | | 7,133 | 7,133 |
| Fees | 80,878 | | | | 80,878 |
| Sales | 1,145 | | | | 1,145 |
| Contracts - Services | 22,841 | | | | 22,841 |
| Other Receipts | 47,836 | | | | 47,836 |
| Total Cash Receipts | 1,399,284 | | 2,125,000 | 8,016 | 3,532,300 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Salaries - Employees | 742,015 | | | | 742,015 |
| Supplies, Materials, and Equipment | 263,676 | | | | 263,676 |
| Contracts - Repair and Services | 245,224 | | | | 245,224 |
| Grants | 6,000 | | 1,500 | | 7,500 |
| Rentals | 1 | | | | 1 |
| Advertising and Printing | 35,780 | | | | 35,780 |
| Travel | 5,238 | | | | 5,238 |
| Capital Outlay | | | 2,125,000 | | 2,125,000 |
| Debt: | | | | | |
| Payment of Principal | | \$ 15,500 | | | 15,500 |
| Payment of Interest | | 4,882 | | | 4,882 |
| Other | 471,747 | | | 6,055 | 477,802 |
| Total Cash Disbursements | 1,769,681 | 20,382 | 2,126,500 | 6,055 | 3,922,618 |
| Total Receipts Over/(Under) Disbursements | (370,397) | (20,382) | (1,500) | 1,961 | (390,318) |
| Other Financing Receipts/(Disbursements): | | | | | |
| Transfers-In | | 20,382 | | | 20,382 |
| Transfers-Out | (20,382) | | | | (20,382) |
| Proceeds from Lease | 53,030 | | | | 53,030 |
| Other Sources | 35,629 | | | | 35,629 |
| Total Other Financing Receipts/(Disbursements) | 68,277 | 20,382 | | | 88,659 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (302,120) | | (1,500) | 1,961 | (301,659) |
| Fund Cash Balances, January 1 | 857,547 | | 16,064 | 45,420 | 919,031 |
| Fund Cash Balances, December 31 | \$ 555,427 | | \$ 14,564 | \$ 47,381 | \$ 617,372 |
| Reserves for Encumbrances, December 31 | \$ 26,924 | | \$ 10,000 | | \$ 36,924 |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ERIE METROPARKS
ERIE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

| | <u>Governmental Fund Types</u> | |
|--|--------------------------------|----------------------------|
| | <u>General</u> | <u>Special Revenue</u> |
| Cash Receipts: | | |
| General Property Tax - Real Estate | \$ 1,089,278 | |
| Intergovernmental Revenue | 161,353 | |
| Investment Income | 20,494 | |
| Gifts and Donations | | |
| Fees | 93,607 | |
| Sales | 1,051 | |
| Other Receipts | 60,831 | |
| Total Cash Receipts | <u>1,426,614</u> | |
| Cash Disbursements: | | |
| Current: | | |
| Salaries - Employees | 681,559 | |
| Supplies, Materials, and Equipment | 265,143 | |
| Contracts - Repair and Services | 215,326 | |
| Grants | 1,000 | |
| Rentals | 1 | |
| Advertising and Printing | 29,029 | |
| Travel | 5,226 | |
| Debt: | | |
| Payment of Principal | | |
| Payment of Interest | | |
| Other | 401,673 | |
| Total Cash Disbursements | <u>1,598,957</u> | |
| Total Receipts Over/(Under) Disbursements | <u>(172,343)</u> | |
| Other Financing Receipts/(Disbursements): | | |
| Transfers-In | 2,183 | |
| Transfers-Out | (33,196) | \$ (2,183) |
| Other Sources | 590,552 | |
| Total Other Financing Receipts/(Disbursements) | <u>559,539</u> | <u>(2,183)</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 387,196 | (2,183) |
| Fund Cash Balances, January 1 | 470,351 | 2,183 |
| Fund Cash Balances, December 31 | <u>\$ 857,547</u> | |
| Reserves for Encumbrances, December 31 | <u>\$ 77,753</u> | |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

| Governmental Fund Types | | Fiduciary Fund Type | Totals (Memorandum Only) |
|-------------------------|------------------|---------------------|--------------------------|
| Debt Service | Capital Projects | Expendable Trust | |
| | | | \$ 1,089,278 |
| | | | 161,353 |
| | | \$ 1,198 | 21,692 |
| | | 14,094 | 14,094 |
| | | | 93,607 |
| | | | 1,051 |
| | | | 60,831 |
| | | 15,292 | 1,441,906 |
| | | | 681,559 |
| | \$ 2,796 | | 267,939 |
| | 13,070 | | 228,396 |
| | | | 1,000 |
| | | | 1 |
| | | | 29,029 |
| | | | 5,226 |
| \$ 15,500 | | | 15,500 |
| 5,696 | | | 5,696 |
| | | 38,375 | 440,048 |
| 21,196 | 15,866 | 38,375 | 1,674,394 |
| (21,196) | (15,866) | (23,083) | (232,488) |
| 21,196 | 12,000 | | 35,379 |
| | | | (35,379) |
| | | | 590,552 |
| 21,196 | 12,000 | | 590,552 |
| | (3,866) | (23,083) | 358,064 |
| | 19,930 | 68,503 | 560,967 |
| | \$ 16,064 | \$ 45,420 | \$ 919,031 |
| | | \$ 900 | \$ 78,653 |

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**ERIE METROPARKS
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Erie MetroParks, Erie County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a three-member Board of Commissioners appointed by the probate judge of Erie County. The District acquires lands for conversion into forest reserves and for the conservation of the natural resources, including streams, lakes, submerged lands, and swamp lands. The Board may also create parks, parkways, and other reservations and may afforest, develop, improve and protect and promote the use of same as the Board deems conducive to the general welfare.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

**ERIE METROPARKS
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Continued)

C.O.P.S. Grant Fund – This fund receives federal grant money to help pay the salary of one of the park rangers.

Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness:

General Bond Retirement Fund – This fund receives transfers from the General Fund to make the annual payment of principal and interest due on the Park Acquisition Bonds discussed in Note 4.

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The District had the following significant Capital Project Funds:

Clean Ohio Grant – This fund receives grant money for the purchase of land.

Coastal Zone Management Grant – This fund receives grant money for the purchase of coastal land having ecological value.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. The District had the following significant fiduciary funds:

Donation Fund – This fund receives money that is donated to the District through the probate court.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**ERIE METROPARKS
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Continued)

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the District uses.

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

| 2003 Budgeted vs Actual Receipts | | | |
|----------------------------------|----------------------|--------------------|--------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 1,359,525 | \$ 1,487,943 | \$ 128,418 |
| Debt Service | 20,383 | 20,382 | (1) |
| Capital Projects | 15,001 | 2,125,000 | 2,109,999 |
| Fiduciary | 5,000 | 8,016 | 3,016 |
| Total | \$ 1,399,909 | \$ 3,641,341 | \$ 2,241,432 |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 1,963,703 | \$ 1,816,987 | \$ 146,716 |
| Debt Service | 20,383 | 20,382 | 1 |
| Capital Projects | 28,065 | 2,136,500 | (2,108,435) |
| Fiduciary | 50,420 | 6,055 | 44,365 |
| Total | \$ 2,062,571 | \$ 3,979,924 | \$ (1,917,353) |

**ERIE METROPARKS
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Continued)

2002 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|---------------------|-------------------|
| General | \$ 1,859,902 | \$ 2,019,349 | \$ 159,447 |
| Debt Service | 21,196 | 21,196 | |
| Capital Projects | | 12,000 | 12,000 |
| Fiduciary | 3,000 | 15,292 | 12,292 |
| Total | <u>\$ 1,884,098</u> | <u>\$ 2,067,837</u> | <u>\$ 183,739</u> |

2002 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-------------------|
| General | \$ 2,330,253 | \$ 1,709,906 | \$ 620,347 |
| Special Revenue | 2,183 | 2,183 | |
| Debt Service | 21,196 | 21,196 | |
| Capital Projects | 19,930 | 15,866 | 4,064 |
| Fiduciary | 71,503 | 39,275 | 32,228 |
| Total | <u>\$ 2,445,065</u> | <u>\$ 1,788,426</u> | <u>\$ 656,639</u> |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Clean Ohio fund and the Coastal Zone Management Grant fund by \$1,497,000 and \$630,000 respectively for the year ended December 31, 2003. This was due to not recording memo receipts and payments to vendors on behalf of the District.

3. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Park Commissioners. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

4. DEBT

Debt outstanding at December 31, 2003:

**ERIE METROPARKS
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Continued)

| | Principal | Interest Rate |
|--------------------------|-----------|---------------|
| General Obligation Bonds | \$ 77,500 | 5.25% |

The District issued General Obligation Park Acquisition Bonds on July 1, 1998, in the amount of \$155,000 at 5.25% for a term of ten years to improve the parks and to acquire additional park land. Interest and principal payments are due annually to the Citizen's Banking Company. The Bonds are collateralized by the taxing authority of the District.

Amortization of the above debt, including interest, is scheduled as follows:

| Year ending December 31: | General Obligation Bonds |
|--------------------------|--------------------------------|
| 2004 | \$ 19,569 |
| 2005 | 18,755 |
| 2006 | 17,941 |
| 2007 | 17,127 |
| 2008 | 16,314 |
| Total | \$ 89,706 |

The District also entered into a lease with option to purchase for a Tractor. The lease was executed on September 17, 2003 for a three year term at 4.299% interest. Payments are due October 2 each year of the lease.

The following table presents the amounts due, including interest, for each year of the lease:

| Year ending December 31: | Lease Obligations |
|--------------------------|----------------------|
| 2004 | \$ 16,938 |
| 2005 | 17,666 |
| 2006 | 18,426 |
| Total | \$ 53,030 |

5. RETIREMENT SYSTEM

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OPERS contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2003.

**ERIE METROPARKS
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Continued)

6. RISK MANAGEMENT

Risk Pool Membership

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2003 and 2002:

| | | |
|------------------------------|----------------------|----------------------|
| <u>Casualty Coverage</u> | <u>2003</u> | <u>2002</u> |
| Assets | \$ 25,288,098 | \$ 20,174,977 |
| Liabilities | (12,872,985) | (8,550,749) |
| Retained Earnings | <u>\$ 12,415,113</u> | <u>\$ 11,624,228</u> |
| <u>Property Coverage</u> | <u>2003</u> | <u>2002</u> |
| Assets | \$ 3,158,813 | \$ 2,565,408 |
| Liabilities | (792,061) | (655,318) |
| Retained Earnings | <u>\$ 2,366,752</u> | <u>\$ 1,910,090</u> |

**ERIE METROPARKS
ERIE COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Federal CFDA Number | Disbursements |
|--|---------------------------|-------------------|
| U.S. DEPARTMENT OF COMMERCE: | | |
| <i>Direct Program</i> | | |
| Coastal Zone Management Administration Awards | 11.419 | \$ 630,000 |
| Total | | \$ 630,000 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

**ERIE METROPARKS
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State
Betty Montgomery**

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

Erie MetroParks
Erie County
Maple Grove Center
3109 Hull Road
Huron, Ohio 44839-2165

To the Board of Commissioners:

We have audited the accompanying financial statements of the Erie MetroParks (the District) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 11, 2005. We conducted our audits in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the District's management dated February 11, 2005, we reported another matter involving internal control over financial reporting.

This report is intended for the information and use of the management, the Board, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 11, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Erie MetroParks
Erie County
Maple Grove Center
3109 Hull Road
Huron, Ohio 44839-2165

To the Board of Commissioners:

Compliance

We have audited the compliance of the Erie MetroParks (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, the Board, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 11, 2005

**ERIE METROPARKS
ERIE COUNTY**

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | None |
| <i>(d)(1)(ii)</i> | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | None |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iv)</i> | Were there any material internal control weakness conditions reported for major federal programs? | None |
| <i>(d)(1)(iv)</i> | Were there any other reportable internal control weakness conditions reported for major federal programs? | None |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510? | None |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Coastal Zone Management Administration Awards CFDA # 11.419 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2003-001

Noncompliance

Ohio Revised Code § 5705.10 states all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. Auditor of State Bulletin 2002-05: Public Works Commission Clean Ohio Grants. Section (A) states that all local governments participating in any Clean Ohio grants must, for each project

**FINDING NUMBER 2003-001
 (Continued)**

awarded, establish a Capital Projects Fund to account for both the grant monies and local matching funds. Section (D) states that for payments made to the contractor, the OPWC will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure to the capital projects fund equal to the amount disbursed by the OPWC.

The District's fiscal officer did not record the receipt and expenditure of the Clean Ohio money paid on behalf of the District during the audit period. Also, the fiscal officer did not establish a separate capital project fund to record these monies.

Auditor of State Bulletin 2000-008: Accounting For Cash Basis Local Governments Participating In On-Behalf-Of Grant or Improvement Projects states when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government of its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The District's fiscal officer did not record the receipt and disbursement of the Coastal and Estuarine Land Conservation Program (CELP) money paid on behalf of the District during the audit period. The fiscal officer did not establish a separate capital project fund.

Based upon the above Revised Code section and the Bulletins, we have determined that the funds in the amount of \$1,495,000 and \$630,000 should have been recorded into capital project funds. The financial statements have been adjusted to reflect these amounts.

FINDING NUMBER 2003-002

Noncompliance

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. In 2003, the District had disbursements that exceeded appropriations in the following funds:

| <u>Fund</u> | <u>Expenditures</u> | <u>Appropriations</u> | <u>Variance</u> |
|-------------------------------|---------------------|-----------------------|-----------------|
| Clean Ohio Fund | \$ 1,495,000 | | \$ (1,495,000) |
| Coastal Zone Management Grant | 630,000 | | (630,000) |

The failure to limit expenditures to amounts appropriated may result in expenditures exceeding available resources. The Director may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None.



**Auditor of State
Betty Montgomery**

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ERIE METROPARKS

ERIE 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
MAY 12, 2005**