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Johnny Appleseed Metropolitan Park District Allen County 2355 Ada Road Lima, Ohio 45801

To the Board of Commissioners:

Betty Montgomeny

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

**Betty Montgomery** Auditor of State

July 27, 2006

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#### INDEPENDENT ACCOUNTANTS' REPORT

Johnny Appleseed Metropolitan Park District Allen County 2355 Ada Road Lima, Ohio 45801

To the Board of Commissioners:

We have audited the accompanying financial statements of the Johnny Appleseed Metropolitan Park District, Allen County, (the District), and the Park District Foundation of Allen County, discretely presented component unit, as of and for the years ended December 31, 2005 and 2004 as listed in the table of contents. 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 audit.

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

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District and the discretely presented component unit to reformat their financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. While the District and the discretely presented component unit do not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District and the discretely presented component unit have elected not to reformat their statements. Since this District and the discretely presented component unit do not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402 Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688 www.auditor.state.oh.us Johnny Appleseed Metropolitan Park District Allen County Independent Accountants' Report Page 2

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, and the discretely presented component unit, as of December 31, 2005 and 2004, or the respective changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Johnny Appleseed Metropolitan Park District, Allen County, and the discretely presented component unit, as of December 31, 2005 and 2004, and the respective cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2006, 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.

**Betty Montgomery** Auditor of State

Betty Montgomeny

July 27, 2006

# STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES GOVERNMENTAL FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT FOR THE YEAR ENDED DECEMBER 31, 2005

Governmental Fund Type

	Fund Type		
	General	Component Unit	Totals (Memorandum Only)
Cash Receipts:			
General Property Tax - Real Estate	\$1,017,914		\$1,017,914
Tangible Personal Property Tax	278,007		278,007
State Levied and Shared	97,618		97,618
Investment Income	35,558	\$6,681	42,239
Gifts and Donations	20,796	713,640	734,436
Fees	108,823	7 10,0 10	108,823
Other Receipts	17,784		17,784
Total Cash Receipts	1,576,500	720,321	2,296,821
Cash Disbursements:			
Current:			
Salaries - Employees	760,406		760,406
Supplies	71,678		71,678
Materials	15,141		15,141
Equipment	24,084	2,315	26,399
Contracts - Repair	7,826		7,826
Contracts - Services	98,309		98,309
Grants	48,978		48,978
Rentals	346		346
Advertising and Printing	10,582		10,582
Travel	4,591		4,591
Public Employees Retirement	84,636		84,636
Workers' Compensation	6,994		6,994
Other	371,762	3,170	374,932
Total Cash Disbursements	1,505,333	5,485	1,510,818
Total Receipts Over/(Under) Disbursements	71,167	714,836	786,003
Fund Cash Balances, January 1	1,082,260	251,777	1,334,037
Fund Cash Balances, December 31	\$1,153,427	\$966,613	\$2,120,040

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

# STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES GOVERNMENTAL FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT FOR THE YEAR ENDED DECEMBER 31, 2004

Governmental Fund Type

	General	Component Unit	Totals (Memorandum Only)
Cash Receipts: General Property Tax - Real Estate Tangible Personal Property Tax Grants State Levied and Shared Investment Income Gifts and Donations Fees Other Receipts	\$945,306 285,512 54,000 100,211 18,343 24,277 87,746 17,359	\$6,480 4,944	\$945,306 285,512 54,000 100,211 24,823 29,221 87,746 17,359
Total Cash Receipts	1,532,754	11,424	1,544,178
Cash Disbursements: Current: Salaries - Employees Supplies Materials Equipment Contracts - Repair Contracts - Services Grants Rentals Advertising and Printing Travel Public Employees Retirement Workers' Compensation Unemployment Compensation Other	729,934 74,498 22,643 58,585 8,000 121,325 48,160 1,000 11,840 4,910 83,027 4,783 976 709,923	1,370	729,934 74,498 22,643 58,585 8,000 121,325 48,160 1,000 11,840 4,910 83,027 4,783 976 711,293
Total Cash Disbursements	1,879,604	1,370	1,880,974
Total Receipts Over/(Under) Disbursements	(346,850)	10,054	(336,796)
Fund Cash Balances, January 1	1,429,110	241,723	1,670,833
Fund Cash Balances, December 31	\$1,082,260	\$251,777	\$1,334,037
Reserves for Encumbrances, December 31	\$93,685	\$0	\$0

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

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

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Johnny Appleseed Metropolitan Park District, Allen County, (the District), as a body corporate and politic. The probate judge of Allen County appoints a three-member Board of Commissioners to govern the District.

The Commissioners are authorized to acquire, develop, protect, maintain, and improve park lands and facilities. The Commissioners may convert acquired land into forest reserves. The Commissioners are also responsible for activities related to conserving 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 these assets conducive to the general welfare.

The reporting entity is composed of the primary government and a component unit that is included to ensure that the financial statements of the District are not misleading.

The component unit is a legally separate organization for which the District is financially accountable. The Society is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs and services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or is obligated for the debt of the organization.

#### 1. Component Unit

The component unit column in the financial statements identifies the financial data of the District's component unit. The component unit is reported separately to emphasize that it is legally separate from the District. The discretely presented component unit is defined as follows:

**Park District Foundation of Allen County** – (the "Foundation") is a non-profit organization that was incorporated under Internal Revenue Code 501(c)(3), for the purpose of accepting bequests and donations for the support and benefit of the Johnny Appleseed Metropolitan Park District. Kevin Haver, Park District Director, serves as the statutory agent for the Foundation.

Active and inactive status designations are used in the Foundation's service. Active status is utilized when the Foundation is soliciting funds or receives a bequest or donation; at all other times inactive status is used. The revenues it receives stem from three sources, donations by industry and corporations, donations by individuals, and donations through wills and bequests. The organization is tax exempt.

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

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

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **B.** Basis of Accounting

#### 1. Primary Government

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

#### 2. Component Unit

The component unit financial statements are prepared on the cash 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.

#### C. Cash and Investments

As the Ohio Revised Code permits, the Allen County Treasurer holds the District's cash as the District's custodian. The County holds the District's assets in its investment pool, valued at the Treasurer's reported carrying amount.

#### 1. Component Unit

The Foundation includes investments as assets. Accordingly, the Foundation does not record purchases of investments as disbursements or sales of investments as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Foundation values certificates of deposit at cost.

#### D. Fund Accounting

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

#### 1. General Fund

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

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

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Budgetary Process

The Ohio Revised Code requires the Board of Commissioners to budget its fund annually.

#### 1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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.

#### 2. Estimated Resources

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

#### 3. 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 2005 and 2004 budgetary activity appears in Note 3.

#### F. Property, Plant, and Equipment

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

#### G. Accumulated Leave

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

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

#### 2. CASH AND INVESTMENTS

**Component Unit** – The Foundation maintains its cash balances in demand deposits, money market and certificates of deposit. The carrying amount on the Foundation records at December 31 was as follows:

	2005	2004
Demand deposits	\$214,262	\$11,919
Money market	547,436	130,058
Certificates of deposit	204,915_	109,800
Total deposits	\$966,613	\$251,777

At December 31, 2005, \$100,000 was insured by the Federal Deposit Insurance Corporation, \$229,636 was insured by the Securities Investor Protection Corporation, and \$637,977 of deposits were not insured or collateralized. At December 31, 2004, \$26,819 was insured by the Federal Deposit Insurance Corporation, \$195,237 was insured by the Securities Investor Protection Corporation, and \$29,721 of deposits were not insured or collateralized.

#### 3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 was as follows:

2005 Bud	geted vs. Actual	Receipts	
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$1,515,740	\$1,576,500	\$60,760
2005 Budgeted vs. A	ctual Budgetary	Basis Expendito	ures
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
	\$2,217,075	\$1,505,333	\$711,742
General	ΨΖ,Ζ17,073	Ψ1,000,000	Ψ/11,7 +2
	geted vs. Actual	Receipts	Ψ/11,/142
2004 Bud	geted vs. Actual Budgeted	Receipts Actual	
2004 Bud	geted vs. Actual Budgeted Receipts	Receipts Actual Receipts	Variance
2004 Bud	geted vs. Actual Budgeted	Receipts Actual	
2004 Bud	geted vs. Actual Budgeted Receipts \$1,510,281  ctual Budgetary	Receipts Actual Receipts \$1,532,754  Basis Expendite	Variance \$22,473
Fund Type General	geted vs. Actual Budgeted Receipts \$1,510,281	Receipts Actual Receipts \$1,532,754  Basis Expendite Budgetary	Variance \$22,473
Fund Type General  2004 Budgeted vs. A Fund Type	geted vs. Actual Budgeted Receipts \$1,510,281  ctual Budgetary	Receipts Actual Receipts \$1,532,754  Basis Expendite	Variance \$22,473
Fund Type General  2004 Budgeted vs. A	geted vs. Actual Budgeted Receipts \$1,510,281  ctual Budgetary Appropriation	Receipts Actual Receipts \$1,532,754  Basis Expendite Budgetary	Variance \$22,473 ures

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

#### 4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Park Commissioners adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts paid to the District by the State. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

Property owners assess tangible personal property tax. They must file a list of this 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.

#### 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. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members 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, 2005.

#### 6. RISK MANAGEMENT

#### **Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles: and
- Errors and omissions.

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

Johnny Appleseed Metropolitan Park District Allen County 2355 Ada Road Lima. Ohio 45801

To the Board of Commissioners:

We have audited the financial statements of the Johnny Appleseed Metropolitan Park District, Allen County, (the District), and its discretely presented component unit, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 27, 2006, wherein we noted the District and its discretely presented component unit followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated July 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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In a separate letter to the District's management dated July 27, 2006, we reported a matter related to noncompliance we deemed immaterial.

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

**Betty Montgomery** Auditor of State

Butty Montgomery

July 27, 2006



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## JOHNNY APPLESEED METROPOLITAN PARK DISTRICT ALLEN 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.

**CLERK OF THE BUREAU** 

Susan Babbitt

CERTIFIED SEPTEMBER 5, 2006