



**Auditor of State
Betty Montgomery**

**METROPARKS OF BUTLER COUNTY
BUTLER COUNTY**

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**Auditor of State
Betty Montgomery**

Metroparks of Butler County
Butler County
2051 Timberman Road
Hamilton, Ohio 45013

To the Board of Commissioners:

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

June 19, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Metroparks of Butler County
Butler County
2051 Timberman Road
Hamilton, Ohio 45013

To the Board of Commissioners:

We have audited the accompanying financial statements of Metroparks of Butler County, Butler County, Ohio (the District), as of and for the years ended December 31, 2005 and 2004. 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 to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the District does 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 has elected not to reformat its statements. Since this District does 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.

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 as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Metroparks of Butler County, Butler County, Ohio as of December 31, 2005 and 2004, and its combined 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 June 19, 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

June 19, 2006

**METROPARKS OF BUTLER COUNTY
BUTLER 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, 2005**

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Expendable Trust</u>	
Cash Receipts:			
Real Estate Conveyance Fees	\$917,007		\$917,007
Intergovernmental Revenue	526,555		526,555
Investment Income	56,891	3,653	60,544
Gifts and Donations	1,115		1,115
Fees	75,184		75,184
Fines and Forfeitures	11,806		11,806
Other Receipts	4,548		4,548
	<u>1,593,106</u>	<u>3,653</u>	<u>1,596,759</u>
Cash Disbursements:			
Current:			
Salaries - Employees	337,677		337,677
Supplies	2,719		2,719
Materials	56,865		56,865
Equipment	53,006		53,006
Maintenance and Repair	9,830		9,830
Contracts - Services	156,161		156,161
Rentals	10,107		10,107
Travel	3,091		3,091
Public Employees Retirement	45,444		45,444
Workers' Compensation	3,403		3,403
Capital Outlay	189,083		189,083
Debt:			
Payment of Principal	37,566		37,566
Payment of Interest	56,774		56,774
Other	83,676		83,676
	<u>1,045,402</u>	<u>0</u>	<u>1,045,402</u>
Total Receipts Over/(Under) Disbursements	<u>547,704</u>	<u>3,653</u>	<u>551,357</u>
Fund Cash Balances, January 1	<u>1,576,675</u>	<u>141,227</u>	<u>1,717,902</u>
Fund Cash Balances, December 31	<u>\$2,124,379</u>	<u>\$144,880</u>	<u>\$2,269,259</u>
Reserves for Encumbrances, December 31	<u>\$179,748</u>	<u>\$0</u>	<u>\$179,748</u>

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

**METROPARKS OF BUTLER COUNTY
BUTLER 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, 2004**

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Expendable Trust</u>	
Cash Receipts:			
Real Estate Conveyance Fees	\$772,448		\$772,448
Intergovernmental Revenue	623,620		623,620
Investment Income	28,282	1,750	30,032
Gifts and Donations	2,140		2,140
Fees	57,910		57,910
Fines and Forfeitures	4,862		4,862
Other Receipts	6,299		6,299
	<u>1,495,561</u>	<u>1,750</u>	<u>1,497,311</u>
Cash Disbursements:			
Current:			
Salaries - Employees	316,009		316,009
Supplies	3,658		3,658
Materials	44,925		44,925
Equipment	62,540		62,540
Maintenance and Repairs	8,013		8,013
Contracts - Services	153,216		153,216
Rentals	9,219		9,219
Travel	983		983
Public Employees Retirement	40,895		40,895
Workers' Compensation	3,035		3,035
Capital Outlay	857,843		857,843
Debt:			
Payment of Principal	39,216		39,216
Payment of Interest	24		24
Other	73,464		73,464
	<u>1,613,040</u>	<u>0</u>	<u>1,613,040</u>
Total Receipts Over/(Under) Disbursements	<u>(117,479)</u>	<u>1,750</u>	<u>(115,729)</u>
Fund Cash Balances, January 1	<u>1,694,154</u>	<u>139,477</u>	<u>1,833,631</u>
Fund Cash Balances, December 31	<u>\$1,576,675</u>	<u>\$141,227</u>	<u>\$1,717,902</u>
Reserves for Encumbrances, December 31	<u>\$39,223</u>	<u>\$0</u>	<u>\$39,223</u>

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

**METROPARKS OF BUTLER COUNTY
BUTLER COUNTY**

**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 Metroparks of Butler County, Butler County, Ohio (the District), as a body corporate and politic, which was organized under Ohio Revised Code Section 1545. The probate judge of Butler 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 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 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.

C. Cash and Investments

As the Ohio Revised Code permits, the Butler 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.

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:

1. General Fund

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

**METROPARKS OF BUTLER COUNTY
BUTLER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Fund (Expendable Trust Fund)

Trust funds account for resources restricted by legally binding trust agreements. The District had the following fiduciary fund:

Park District Trust Fund

This fund accounts for the proceeds of monies left by an estate to be used for the routine acquisition and maintenance of public parks.

E. Budgetary Process

The Ohio Revised Code requires the Board of Commissioners to budget each 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 2.

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.

**METROPARKS OF BUTLER COUNTY
BUTLER COUNTY**

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

2. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,468,416	\$1,593,106	\$124,690
Fiduciary	3,616	3,653	37
Total	\$1,472,032	\$1,596,759	\$124,727

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,650,831	\$1,225,150	\$425,681
Fiduciary	0	0	0
Total	\$1,650,831	\$1,225,150	\$425,681

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,491,824	\$1,495,561	\$3,737
Fiduciary	1,749	1,750	1
Total	\$1,493,573	\$1,497,311	\$3,738

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,743,791	\$1,652,263	\$91,528
Fiduciary	0	0	0
Total	\$1,743,791	\$1,652,263	\$91,528

3. REAL ESTATE CONVEYANCE FEES

In 2003, the Butler County Board of Commissioners raised the County's property conveyance fee and approved an allocation to Metroparks from the revenue generated from the increased fee. The allocation, which amounts to \$0.40 of the total \$3.00 per \$1,000 valuation on transferred real estate, is restricted for capital improvements work and land acquisition in the park system.

**METROPARKS OF BUTLER COUNTY
BUTLER COUNTY**

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

4. DEBT

Debt outstanding at December 31, 2005:

	Principal	Interest Rate
General Obligation Notes	\$638,452	0%

The District entered into an agreement with Thomas Stander, Trustee of the Carl Stander Irrevocable Trust on January 31, 2003 for the purchase of land to be used for future development. Payments are made annually to the Carl Stander Irrevocable Trust.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	General Obligation Notes
2006	\$37,556
2007	37,556
2008	37,556
2009	37,556
2010	37,556
2011-2015	187,780
2016-2020	187,780
2021-2022	75,112
Total	\$638,452

In May 2003, the Butler County Commissioners issued \$2,800,000 in bond anticipation notes for assisting the District with construction of a lake, marina, and appurtenances. The notes were the full general obligation of Butler County (the County) and are backed by the full faith and credit of the County. The District has agreed to pay the debt service on the notes from the money it receives from the real estate conveyance fees (see Note 3).

In May 2004, the Butler County Commissioners renewed the 2003 notes at the principal amount of \$2,840,000, in which the interest from the 2003 notes was capitalized.

In May 2005, the 2004 notes were renewed by the Butler County Commissioners at the amount of \$2,840,000. At that time the District paid \$56,774 in interest on the 2004 notes.

Also in September 2005, the Butler County Commissioners issued \$1,870,000 in bond anticipation notes for assisting the District with the construction of a lodge and dock. The notes are the full general obligation of Butler County (the County) and are backed by the full faith and credit of the County. The District has agreed to pay the debt service on the notes from the money it receives from the real estate conveyance fees (see Note 3).

At December 31, 2005 the District has agreed to pay a total of \$4,710,000 for the bond anticipation notes issued by the Butler County Commissioners.

**METROPARKS OF BUTLER COUNTY
BUTLER COUNTY**

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

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

Risk Pool Membership

The District is a member of 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 judgment, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risk 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 earning, 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 in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustments 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 local government.

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, 2004 and 2003 (the latest information available):

**METROPARKS OF BUTLER COUNTY
BUTLER COUNTY**

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

6. RISK MANAGEMENT (Continued)

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Cash and investments	\$30,547,049	\$25,288,098
Actuarial liabilities	<u>(16,989,918)</u>	<u>(\$12,872,985)</u>
Retained Earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>
<u>Property Coverage</u>		
Assets	\$3,652,970	\$3,158,813
Liabilities	<u>(544,771)</u>	<u>(792,061)</u>
Retained Earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>



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*

Metroparks of Butler County
Butler County
2051 Timberman Road
Hamilton, Ohio 45013

To the Board of Commissioners:

We have audited the financial statements of Metroparks of Butler County, Butler County, Ohio (the District), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 19, 2006, wherein we noted the District 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.

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*.

Metroparks of Butler County
Butler County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and Board of Park Commissioners. It is not intended for 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

June 19, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

METROPARKS OF BUTLER COUNTY

BUTLER 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
JULY 13, 2006**