



**Auditor of State  
Betty Montgomery**



**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Franklin County Veterans Memorial  
Franklin County  
Board of Trustees  
300 West Broad Street  
Columbus, Ohio 43215

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Franklin County Veterans Memorial, Franklin County, Ohio (the Memorial), a component unit of the County of Franklin, as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the Memorial'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin County Veterans Memorial, Franklin County, Ohio, as of December 31, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2002, the Memorial implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2003, on our consideration of the Memorial's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

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

**BETTY MONTGOMERY**  
Auditor of State

March 31, 2003

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The discussion and analysis of the Franklin County Veterans Memorial's (Veterans Memorial) financial performance provides an overall review of Veterans Memorial's financial activities for the year ended December 31, 2002. The intent of this discussion and analysis is to look at Veterans Memorial's financial performance as a whole; readers are encouraged to consider information presented here as well as the financial statements to enhance their understanding of the Veterans Memorial's financial performance.

### **Financial Highlights**

- Total net assets increased \$209,097 from 2001.
- Total operating revenues increased \$14,240 from 2001.
- Total expenses increased \$45,511 from 2001.
- Received an allocation \$474,213 from Franklin County Commissioners (\$74,213) to eliminate excess liabilities over assets, (\$250,000) to restore cash reserves and (\$150,000) to provide for the first year of a three year sales & marketing plan.

### **Using this Financial Report**

This annual report consists of two parts, the MD&A and the financial statements. The financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets and a statement of cash flows.

### **Statement of Net Assets**

This statement reports the Veterans Memorial's net assets, however, in evaluating the overall position of the Veterans Memorial's non-financial information such as changes in the information presented in the section entitled Narrative of 2002 Operation and Current Issues will also need to be evaluated.

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Table 1 provides a summary of Veterans Memorial's net assets for 2002 compared to 2001.

Table 1  
Net Assets

	2002	2001
Current Assets	634,135	430,589
Capital Assets	<u>295,926</u>	<u>297,195</u>
Total Assets	930,061	727,784
Current Liabilities	236,759	240,159
Long Term Liabilities	<u>315,297</u>	<u>318,717</u>
Total Liabilities	<u>552,056</u>	<u>558,876</u>
Net Assets	<u>\$378,005</u>	<u>\$168,908</u>

Table 2  
Revenues and Expenses

Table 2 shows the changes in net assets for the year ended December 31, 2002 as well as revenue and expense comparisons to 2001.

	2002	2001
Total Revenues	1,640,558	1,626,318
Total Expenses	<u>1,914,899</u>	<u>1,869,388</u>
Operating Loss	(274,341)	(243,070)
Non Operating Revenues	<u>9,225</u>	<u>19,553</u>
(Loss) Before Contributions	(265,116)	(223,517)
Contributions	<u>474,213</u>	<u>0</u>
Change in Net Assets	<u>209,097</u>	<u>(223,517)</u>
Net Assets – Beginning of Year	<u>168,908</u>	<u>392,425</u>
Net Assets – End of Year	<u>\$ 378,005</u>	<u>\$168,908</u>



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**Analysis of Overall Financial Positions and Results of Operations**

The financial position of Veterans Memorial slightly declined over the past year mostly due to stagnant income and slowly rising expenses. The results of 2002 are directly attributable to few new ventures by promoters in 2002 due to consumer uncertainty in the face of activities of September 11, 2001 and the overall uneasy economic climate of 2002. In order to financially stabilize Veterans Memorial's operation, the Franklin County Commissioners authorized allocation to Veterans Memorial of \$474,213. Of these monies, \$150,000 is to be spent for increased sales and marketing activities and \$324,213 was applied to the replenishment of Veterans Memorial's reserve fund.

**Operating Lease**

On July 20, 1981, by Quit Claim Deed, the Board of Trustees of Franklin County Veterans Memorial transferred ownership of all real property to the Franklin County Commissioners. This transfer was completed in order to permit the financing of an expansion to the facility. This lease was amended effective August 1, 1996. The lease, as amended, requires the Board of Trustees to pay the Commissioners annual rent as follows:

The annual net income from operation of the premises plus all reserves over \$250,000 (excess reserves) which will be retained by the Board of Trustees as a capital improvement and repair fund. Lease expense is calculated by subtracting adjusted current liabilities from specifically identified current assets.

There was no amount due for 2002. The computation is as follows:

	<u>2002</u>
Specifically identified assets in excess of adjusted current liabilities	\$ 4,279
Reserve amount to be retained	<u>(250,000)</u>
Reserve fund deficit	<u>\$(245,721)</u>

**In-Kind Contribution**

The Board determined it is appropriate to note as contributions the fair market value of space provided to the Franklin County Veterans Service Commission, a not-for-profit governmental entity. Office space and other related facility usage are provided to the Veterans and the Franklin County Veterans Service Commission at no charge. This amount is currently estimated at \$189,353 for the 2002 fiscal year.

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**Narrative of 2002 Operation and Current Issues**

As was the case for most businesses across America, 2002 was a challenging year for Veterans Memorial. The fallout from the lack of consumer confidence combined with a lethargic economy affected every facet of our operation. Across the nation, public assembly facilities of all sizes faced declining revenues, budgeting cutbacks and escalating expenses in the face of ever-aggressive competition from those confident in their product and brave enough to offer it in the marketplace.

The auditorium hosted 132 event days during 2002 which was equal to the number of 2001 events. Although concert activity in the areas of country and rock remains soft, contemporary Christian and gospel music presentations fared well. Artists featured during 2002 included DC Talk, Steven Curtis Chapman, Kirk Franklin, Fred Hammond, Trans Siberian Orchestra and String Cheese Incident. Tom Joyner's syndicated radio program returned to Columbus and played to an enthusiastic crowd for his live nationwide 6AM broadcast.

Many community events also utilized the Auditorium. Groveport Madison High School conducted its annual commencement ceremony in June and has reserved future dates joining thirteen other high school graduations already scheduled. Brigham Young University's ballroom dance champions displayed their excellence as part of a national tour. The Irish Dance Association of Columbus performed a recital to assist in raising funds for a trip to Ireland. Columbus Public Schools held a city-wide parent/teacher convocation to introduce elementary school parents to their children's teachers and school administrators. The Childhood League Center hosted a lecture by noted pediatrician and author, Dr. T. Barry Brazelton. After a two-year absence, DeVry University returned to conduct annual commencement exercises.

After producing an India Festival in a high school, organizers decided to enlarge the event in size and visibility and moved it to the Veterans Memorial. This festival featured Indian cuisine, arts, crafts and entertainment. The event utilized the Wayne Brehm Room and Auditorium as well as the new outer lobby. The revitalized event was so well embraced by the Indian community it will return in 2003 in an expanded format.

The North Exhibition Hall was booked 113 days and the East & West Exhibition Halls 112 days. Compared to the previous fiscal year, the West Exhibition Hall occupancy held steady. However, the North Exhibition Hall was occupied 15 fewer days. On a positive note, during the last half of 2002, rental inquiries and future bookings have increased. In fact, the Black Christmas Expo, Ohio Construction Expo, A Taste of Home and a Home Improvement Expo will conduct inaugural events in 2003 with all events anticipated to be produced annually should initial efforts be successful.

Several new and unique events occupied the exhibition halls and ancillary areas. National Event Management conducted a successful franchise and business

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opportunity show, the first show of its kind held in a number of years resulting in a 2003 return engagement. Farrows Harley Davidson dealership celebrated their 90<sup>th</sup> anniversary as America's oldest motorcycle dealership with bike displays and exhibit booths in the East and West Exhibition Halls and a starlight dinner in the new Auditorium outer lobby. World Discount Club held a four day general merchandise sale in the North Exhibition Hall just days before Christmas. An additional sale was held five weeks later in January. Both sales were well received resulting in the promoter requesting contracts for the same time periods next year.

The Wayne Brehm Room was occupied 118 days. Events hosted included numerous wedding receptions, one featuring the nuptials conducted on the lawn facing downtown. Other events hosted included two Central Ohio Regional Professional Development Commission seminars, a meeting of the Columbus Neighborhood Green Team, and the Columbus Area Tax Administrators annual conference.

Most consumer and trade shows experienced flat attendance and sagging exhibitor support during 2002. Especially hard hit were smaller shows, many of them physically downsizing, reducing the number of show dates and cities in which the shows are produced. Sadly, some shows will simply not survive. In 2001, twelve job fairs were produced by three promoters; only six were held by two promoters in 2002. Snap-On-Tools local distributor did not receive a corporate budget allocation in order to present their annual tool show. The All Canada Show did not return its annual hunting and fishing exposition show due to sagging attendance and eroding exhibitor and sponsor support.

Recognizing the challenges faced by the dynamics of the marketplace, with financial support of the Franklin County Commissioners, the Veterans Memorial has commenced a marketing and direct sales program. After conducting interviews with clients, business and community leaders, a market positioning statement will be created from which brochures and marketing strategies will be developed. When armed with this data, the sales team will aggressively solicit new clients and new marketing strategies will be developed and implemented.

In addition to housing the important work of the Franklin County Veterans Service Commission, veterans continue to utilize the Veterans Memorial for monthly meetings and special occasions such as the presentation of French Liberty Awards, presentation of Normandy Certificates, the Ohio Veterans Hall of Fame Induction Ceremony and the Veterans Stand Down.

Public assembly facilities are like any other business and must adapt its procedures and practices in the ever-changing business environment. It will take the creative skills of Veterans Memorial's operations, marketing and sales personnel working hand in hand with the County Commissioners and the Board of Trustees to enable "the new Vets" to be rediscovered. We thank the Commissioners for their ongoing faith and support and

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the Franklin County Board of Trustees for their continued participation which will be instrumental in Veterans Memorial's success. Throughout this ongoing process, Veterans Memorial will be challenged to identify and capitalize upon its uniqueness in a marketplace with many competitors. Quality and personal service has always been and will remain what sets Veterans Memorial apart from the pack. Despite all the marketing and direct sales efforts, without dedicated employees to provide quality service to our clients and their guest, all other efforts would be for naught.

**Contacting the Franklin County Veterans Memorial's Financial Management**

This financial report is designed to provide the citizens of Franklin County with a general overview of Veterans Memorial's finances and operations. If you have questions about this report or need additional financial information, please contact Richard P. Nolan, General Manager, Veterans Memorial, 300 West Broad Street, Columbus, Ohio 43215.

**Franklin County Veterans Memorial**  
*Statement of Net Assets*

*December 31, 2002*

**Assets**

*Current Assets:*

Cash and Investments	\$ 539,694
<i>Receivables:</i>	
Accounts	38,039
Reimbursable Costs	9,333
Prepaid Items	47,069
 <i>Total Current Assets</i>	 634,135

*Noncurrent Assets:*

*Capital Assets:*

Depreciable Capital Assets, Net	295,926
 <i>Total Noncurrent Assets</i>	 295,926

<i>Total Assets</i>	930,061
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**Liabilities**

*Current Liabilities:*

Accounts Payable	58,014
Accrued Wages	28,180
Intergovernmental Payable	56,993
Deferred Revenue	93,572
 <i>Total Current Liabilities</i>	 236,759

*Long-Term Liabilities:*

Compensated Absences Payable	315,297
 <i>Total Long-Term Liabilities</i>	 315,297

<i>Total Liabilities</i>	552,056
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**Net Assets**

Invested in Capital Assets	295,926
<i>Unrestricted</i>	82,079
 <i>Total Net Assets</i>	 \$ 378,005

See accompanying notes to the basic financial statements

**Franklin County Veterans Memorial**

*Statement of Revenues,  
Expenses and Changes in Net Assets*

*For the Year Ended December 31, 2002*

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<b>Operating Revenues</b>	
Charges for Services	\$ 1,640,558
<i>Total Operating Revenues</i>	<u>1,640,558</u>
<b>Operating Expenses</b>	
Salaries	960,266
Fringe Benefits	334,601
Purchased Services	312,066
Materials and Supplies	52,944
Repairs and Maintenance	132,108
Depreciation	39,039
Other	83,875
<i>Total Operating Expenses</i>	<u>1,914,899</u>
<i>Operating (Loss)</i>	<u>(274,341)</u>
<b>Non-Operating Revenues</b>	
Interest	9,225
<i>Total Non-Operating Revenues</i>	<u>9,225</u>
<i>(Loss) before Contributions</i>	(265,116)
Contributions	474,213
<i>Change in Net Assets</i>	209,097
<i>Net Assets Beginning of Year</i>	<u>168,908</u>
<i>Net Assets End of Year</i>	<u><u>\$ 378,005</u></u>

See accompanying notes to the basic financial statements

**Franklin County Veterans Memorial**  
*Statement of Cash Flows*

*For the Year Ended December 31, 2002*

	Total
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 1,622,202
Cash Payments to Employees for Services	(960,849)
Cash Payments for Employee Benefits	(334,601)
Cash Payments for Goods and Services	(485,231)
Other Cash Payments	(111,743)
	(270,222)
<i>Net Cash Provided by Operating Activities</i>	
<b>Cash Flows from Non-Capital Financing Activities</b>	
Cash Received from Primary Government	474,213
	474,213
<i>Net Cash Provided by Non-Capital Financing Activities</i>	
<b>Cash Flows from Capital and Related Financing Activities</b>	
Payments for Capital Acquisitions	(37,772)
	(37,772)
<i>Net Cash (Used in) Capital and Related Financing Activities</i>	
<b>Cash Flows from Investing Activities</b>	
Interest received from Investments	9,225
	9,225
<i>Net Cash Provided by Investing Activities</i>	
<i>Net Increase in Cash and Cash Equivalents</i>	175,444
<i>Cash and Cash Equivalents Beginning of Year</i>	364,250
<i>Cash and Cash Equivalents End of Year</i>	\$ 539,694
 <b>Reconciliation of Operating Gain to Net Cash Provided by (Used in) Operating Activities</b>	
Operating Loss	(274,341)
Adjustments:	
Depreciation	39,039
(Increase) Decrease in Assets:	
Accounts Receivable	(6,638)
Prepaid Assets	(21,464)
Increase (Decrease) in Liabilities:	
Accounts Payable	(13,843)
Accrued Wages	7,017
Compensated Absences Payable	(3,420)
Deferred Income	(11,718)
Intergovernmental Payable	15,146
	(270,222)
<i>Net Cash Provided by Operating Activities</i>	\$ (270,222)
 <b>Non-Cash Activities</b>	
In-Kind Contributions for space provided to Veterans Service Commission were \$189,353	

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**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**1. DESCRIPTION OF VETERANS MEMORIAL AND REPORTING ENTITY**

The Franklin County Veterans Memorial (the Memorial) was established pursuant to the Ohio Revised Code Section 345. The Board of Trustees has the authority to exercise all the powers and privileges provided under the law. The purpose of the Memorial is to commemorate the services of all members and veterans of the armed forces of the United States. The Memorial serves the citizens of Franklin County by providing facility rental space. It is also a center for activity for veterans meetings and programs. The offices of the Franklin County Veterans Service Commission are also located in this facility which is not considered a part of the Memorial.

The Memorial is governed by a board of eleven trustees appointed by the County Commissioners of Franklin County (the County). The Board of Trustees shall at all times, be so constituted that at least seven of its members are honorably discharged veterans of the armed forces of the United States, having served in one or more wars in which the United States was a belligerent.

The Memorial is a discretely presented component unit of Franklin County (the County), the primary government, in which they are fiscally dependent; however, the County does not control the day to day operations of the Memorial. The Memorial is owned by the County whereby the Board of Trustees leases it under an agreement that extends until 2013. Under the agreement, the Memorial pays the County rent equal to the Memorial's annual net income from operations plus all reserves in excess of \$250,000. In the past two years (2001 and 2002), there has been no rent paid to the County thereby imposing a financial burden on the County (See Note 12).

The County has issued general obligation bonds to finance renovations and improvements to the Memorial which is reported on the County's financial statements.

Component units are legally separate organizations for which the Memorial is financially accountable. The Memorial 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 or 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 deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Based upon the application of these criteria, the Memorial has no component units.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Memorial have been prepared in conformity with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Memorial applies all GASB pronouncements, APB Opinions and ARBs issued on or before November 30, 1989 provided they do not conflict with or contradict GASB pronouncements. The more significant of the Memorial's accounting policies are described below.

**A. Basis of Presentation**

The Memorials' financial statements consist of the statement of net assets, statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation (continued)**

Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**B. Measurement Focus**

The enterprise operations are presented using the economic resources measurement focus and accrual basis of accounting. All assets and all liabilities associated with the operation are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Memorial finances and meets the cash flow needs of its proprietary activity.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Memorial's financial statements are prepared using the accrual basis of accounting. Accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses.

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

Non-exchange transactions, in which the Memorial receives value without directly giving equal value in return, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations are recognized in the fiscal 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.

Expenses are recognized at the time they are incurred.

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**NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Cash and Investments**

During 2002, the Memorial's only investment was in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2002. Interest earned is reported as non-operating revenues in the amount of \$9,225.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

**F. Capital Assets**

Certain capital assets (leasehold improvements, furniture, fixtures, and equipment) utilized by the Memorial are reported on the statement of net assets. Land and building (owned by primary government) assets are reported both in the business-type activities column of the government-wide statement of net assets and in the fund financials of the primary government.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. 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.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over useful lives ranging from five to twenty-five years. A reconciliation of beginning and ending net balances is included in Note 6.

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FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Compensated Absences**

The Memorial reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences" as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". 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.

Sick leave benefits are accrued as a liability using the vesting payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments.

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Memorial or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

There are no restricted net assets externally imposed.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Memorial, these revenues are charges for services include bookings, parking lot, commissions, rentals, decorating, internet, and electric revenues. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

**J. Contributions**

Transfers between the primary government (the County) and the discretely presented component unit (the Memorial) are reported as expenditures, on the County's records, and as non-operating revenues, on the Memorials records.

The Memorial received a \$474,213 contribution from Franklin County Commissioners.

**K. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Memorial and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2002.

**FRANKLIN COUNTY VETERANS MEMORIAL  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. CONTRIBUTIONS OF CAPITAL**

Contributions of capital arise from outside contributions of fixed assets from outside contributions of resources restricted to capital acquisition and construction. The Memorial did not have any contributions of capital during 2002.

**M. ESTIMATES**

The preparation of the 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 those estimates.

**3. CHANGES IN ACCOUNTING PRINCIPLES**

For 2002, the Memorial implemented GASB Statement No. 34, "Basic Financial Statements," GASB Statement No.37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures." GASB 34 creates new basic financial statements for reporting the Memorial's financial activities. These statements are prepared on an accrual basis of accounting. GASB 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A. GASB 38 modifies, establishes and rescinds certain financial statement note disclosures. The implementation of these changes had no effect on the financial statements as previously reported.

**4. DEPOSITS AND INVESTMENTS**

**Cash on Hand** - At year-end, the Memorial had \$1,200 in undeposited cash on hand which is included on the statement of nets assets as part of "cash and investments."

**Deposits** - At year-end, the carrying amount of the Memorial's deposits was \$20,905 and the bank balance was \$31,625. The entire bank balance was covered by federal depository insurance.

**Investments** – At year end, the carrying value of the Memorial's investment was \$517,589. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**5. ACCOUNTS RECEIVABLE**

Receivables at December 31, 2002, consisted of billings for user charged services and are shown at their net realizable value. Management believes all receivables are fully collectible, however, any uncollectible amounts are charged to operations during the period in which they are determined to be uncollectible. Bad debt expense amounted to \$573 which is made a part of other operating expenses on the statement of revenues, expenses, and changes in fund net assets.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**6. CAPITAL ASSETS**

Reconciliation of beginning and ending balances (net of accumulated depreciation) for the year ended December 31, 2002:

	Beginning Balance	Additions	Improvements	Depreciation	Ending Balance
Leasehold Improvements – Building	\$ 131,378	\$ 7,700	\$ -	\$ 8,161	\$ 130,917
Leasehold Improvements – North Hall	3,273	-	-	348	2,925
Equipment	85,897	16,253	-	15,632	86,517
Furniture and Fixtures	75,416	3,919	9,900	14,533	74,702
Cafeteria Equipment	1,230	-	-	365	865
<b>Total</b>	<b>\$ 297,194</b>	<b>\$ 27,872</b>	<b>\$ 9,900</b>	<b>\$ 39,039</b>	<b>\$ 295,926</b>

There were no disposals during the year.

**7. RISK MANAGEMENT**

The Memorial 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 2002, the Memorial along with the County Commissioners contracted with its agent Defusco & Associates for blanket building and its contents. All other coverages were not combined with the County Commissioners. Coverages provided by Defusco & Associates are as follows:

Coverage/Type	Coverage	Deductible
Building and its Contents	36,433,000	1,000
Terrorism Limit	5,000,000	1,000
Business Income and Extra Expense	1,000,000	No deductible
Automobile	5,000 - 1,000,000	Deductible varies
Crime (employee, forgery, money inside and outside, and non- compensated employees)	50,000	500
Boiler and Machinery	5,000,000	1,000-2,000
Other	25,000-1,250,000	No deductible
General Liability	1,000,000-2,000,000	No deductible
Umbrella	15,000,000	No deductible

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**7. RISK MANAGEMENT (continued)**

The Memorial also provides health insurance, dental, and vision coverage to full-time employees through a private carrier. The Memorial is billed by its primary government on a monthly basis for the cost of health insurance.

**8. DEFERRED COMPENSATION PLAN**

As of December 31, 2002 various employees of the Memorial had elected to participate in the deferred compensation plan offered by Franklin County Veterans Memorial and administered by the Ohio Public Employees Deferred Compensation Board. This deferred compensation plan is a defined contribution program under Section 457 of the Internal Revenue Code. All assets and income of the plan must be held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, the assets and liabilities of the plan are not reflected in the financial statements of Franklin County Veterans Memorial.

**9. PENSION PLAN**

The Memorial contributes to the Public Employees Retirement System of Ohio ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations. The Ohio Revised Code provides statutory authority for employee and employer contributions. The Memorial's employer contribution rate for 2002 was 13.55% of covered payroll. Of the employer contribution, 8.55% is used for pension obligations. Contributions are authorized by state statute. The Memorial's required contributions to PERS for the years ended December 31, 2002, 2001, and 2000 were \$157,883, \$146,961, and \$118,918 respectively. The Memorial has contributed \$139,309 for fiscal year 2002, and the remainder of \$18,574 due to PERS has been recorded as intergovernmental payable.

**10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

PERS provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit ("OPEB") as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The 2002 employer contribution rate used to fund health care was 4.3% of covered payroll.

Benefits are advance-funded using the entry age normal actuarial cost method. Based on PERS's latest actuarial review, performed as of December 31, 2001 (the latest information available), significant actuarial assumptions include a rate of return on investments of 8%, active employee base payroll increases of 4% compounded annually and an increase of between .50% to 6.3% based on additional annual pay increases, with no change in the number of active employees. Health care costs were assumed to increase 4% annually.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**10 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

For actuarial valuation of the investment portfolio, a smoothed marked approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. \$11.6 billion represents the actuarial value of PERS's net assets available for OPEB at December 31, 2001. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and 4.8 billion, respectively.

**11. COMPENSATED ABSENCES**

The Memorial employees earn vacation leave at various rates ranging from two to five weeks per year based upon years of service. Sick leave is accumulated at the rate of three weeks per year. Vacation pay is vested after one year and sick pay is generally vested after eight years of service. Vested vacation and sick leave is recorded as an expense when earned. The liability of \$315,297 represents amounts as of December 31, 2002 that was due to employees upon retirement or termination of their employment.

**12. OPERATING LEASE**

On July 20, 1981, by Quit Claim Deed, the Board of Trustees of the Memorial transferred ownership of all real property to the Franklin County Commissioners. This transfer was completed in order to permit the financing of an expansion to the facility. This lease was amended effective August 1, 1996. The lease, as amended, requires the Board of Trustees to pay the Commissioners annual rent as follows:

The annual net income from operation of the premises plus all reserves over \$250,000 (excess reserves) which will be retained by the Board of Trustees as a capital improvement and repair account. Lease expense is calculated by subtracting adjusted current liabilities from specifically identified current assets.

There was no amount due for 2002. The computation is as follows:

	<u>2002</u>
Specifically identified assets in excess of adjusted current liabilities	\$ 4,279
Reserve amount to be retained	<u>(250,000)</u>
Reserve fund deficit	<u><u>\$ (245,721)</u></u>

**13. CONCENTRATIONS**

The Memorial receives the majority of its revenues from Booking and Parking Lot revenues from events in the Columbus, Ohio area. Although not anticipated, a significant decrease in either of these revenue types could adversely effect the financial position and operations of the facility. In 2002 these two items constituted 72.2% of total revenues.





## **Auditor of State Betty Montgomery**

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

Franklin County Veterans Memorial  
Franklin County  
Board of Trustees  
300 West Broad Street  
Columbus, Ohio 43215

We have audited the basic financial statements of the Franklin County Veterans Memorial, Franklin County, Ohio, (the Memorial) a component unit of the County of Franklin, as of and for the year ended December 31, 2002, and have issued our report thereon dated March 31, 2003, wherein we noted the Memorial adopted *Governmental Accounting Standards Board Statement 34*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Memorial's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Memorial's internal control over financial reporting in order 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Memorial's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-001.

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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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Memorial in a separate letter dated March 31, 2003.

This report is intended for the information and use of the management and the Board of Trustees, 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

March 31, 2003

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**SCHEDULE OF FINDING  
DECEMBER 31, 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	2002-001
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**Undeposited Cash**

Parking Lot revenues from special events (bookings) were shorted to pay casual labor employees. In addition, a list of casual labor employees working the events was not maintained. In most cases, a duplicate receipt was written that verified the amount of cash paid to the casual labor employee working the event. Total undeposited cash that was remitted to casual labor employees amounted to \$14,280. This weakness could result in monies not being properly accounted for and/or misappropriated.

We recommend that the procedure of shorting collected cash to pay casual labor employees be discontinued. In addition, all parking lot revenues collected should be deposited into the general bank account, all payments to casual labor employees should be processed by check, and lastly, a list of casual labor employees should be maintained and 1099s issued if income earned exceeds \$600 in any one fiscal year.





**Auditor of State  
Betty Montgomery**

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**VETERANS MEMORIAL**

**FRANKLIN 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 29, 2003**