

**STATE OF OHIO
CAPITOL SQUARE REVIEW
AND ADVISORY BOARD**

**FINANCIAL STATEMENTS
For the Years Ended June 30, 2004 and 2003**

With Independent Auditors' Report

And Additional Information



**Auditor of State
Betty Montgomery**

Capitol Square Review and Advisory Board
The Statehouse
Columbus, Ohio 43215

We have reviewed the Independent Auditor's Report of the Capitol Square Review and Advisory Board, Franklin County, prepared by Parns & Company, LLC, for the audit period July 1, 2003 to June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Capitol Square Review and Advisory Board is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

December 3, 2004

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**STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD**

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INDEPENDENT AUDITORS' REPORT

Honorable Betty Montgomery
Auditor of State of Ohio and
The Capitol Square Review and
Advisory Board
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Capitol Square Review and Advisory Board (the Board), an independently audited organization that is part of the primary government of the State of Ohio, as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Capitol Square Review and Advisory Board are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Ohio that is attributable to the transactions of Capitol Square Review and Advisory Board. They do not purport to, and do not, present fairly the financial position of the State of Ohio as of June 30, 2004 and 2003, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Capitol Square Review and Advisory Board of the State of Ohio as of June 30, 2004 and 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 8 and budgetary comparison information on pages 30 to 33 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 16, 2004, on our consideration of the Capitol Square Review Advisory Board'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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Farms & Company, LLC

September 16, 2004

CAPITOL SQUARE REVIEW AND ADVISORY BOARD

Management's Discussion and Analysis

For the Year Ended June 30, 2004

The discussion and analysis of Capitol Square Review and Advisory Board's financial performance provides an overall review of the Board's financial activities for the year ended June 30, 2004. The intent of the discussion and analysis is to look at the Board's financial performance as a whole; readers should also review the transmittal letter, and the basic financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for FY2004 are as follows:

- Our FY 2004 General Revenue budget per House Bill # 0095 was \$3,053,662 and was then reduced \$122,146 by Executive Order.
- The Statehouse Security Improvements and the Garage Fire Suppression Phase I construction projects were completed during FY2004.
- The Parking Garage revenues increased \$43,086 over the previous year. The \$2,262,317 year-end cash balance represents an increase of \$142,680 from the previous year.
- Special Events and the Statehouse Museum Shop (Fund 4S7) experienced a drop in revenues from the previous year of 22%. FY2003 revenues had increased significantly over FY2002 as a result the gift shop being the official product website of the Ohio Bicentennial Commission.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Capitol Square as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and Statements of Activities provide information about the activities of the whole agency, presenting both an aggregate view of the Board's finances and a longer-term view of those assets. The proceeding reports look at our General Revenue fund, Special Revenue funds, and Enterprise fund.

Reporting Capitol Square as a Whole

Statement of Net Assets and the Statement of Activities

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report Capitol Square's net assets and the change in those assets. This change in net assets is important because it tells the reader whether, as a whole, the financial position of the Board has improved or diminished.

CAPITOL SQUARE REVIEW AND ADVISORY BOARD

Management's Discussion and Analysis

For the Year Ended June 30, 2004

In the statement of Net Assets and the Statement of Activities, Capitol Square is divided into two kinds of activities:

- **Governmental Activities** – Most of the Board's services are reported here including building and grounds administration for the entire Capitol Square including the Statehouse Museum Shop, Special Events and the Gift fund activities
- **Business-Type Activities** – These services have a user fee based upon usage. Capitol Square charges fees for the use of the Statehouse Parking Garage, which recoups the entire cost of this operation as well as any associated capital expenses.

Reporting Capitol Square Review and Advisory Board's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance-related legal requirements. All of the funds of the Board can be divided in two categories: governmental funds and proprietary funds. Fund financial reports provide detailed information about the Board's funds. Based on restrictions on the use of monies, the Board has established two funds, which account for the services provided to our tenants and visitors.

Governmental Funds: The governmental fund category consists of funds that finance most government functions. Funds within this category are grouped for our purposes into one of the following fund types: General, which accounts for financial resources (budget appropriated tax revenues) not required to be accounted for in another fund; Special Revenue, which accounts for specific revenue sources restricted for specific uses (our 4S7 and 4G5 funds).

Proprietary Fund: The Board maintains one type of proprietary fund (Enterprise). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Statehouse Parking Garage (208 fund) falls in this business-type activity.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by \$3,342,307, (-5,854 in governmental activities and \$3,348,161 in business-type activities) as of June 30, 2004 and \$3,194,510 (\$32,389 in governmental activities and \$3,162,124 in business-type activities) as of June 30, 2003. This is an increase of \$153,648 from FY2003 to FY2004. The largest portion of the Board's net assets (48%) reflects its capital asset of the Statehouse Underground Parking Garage. The Board uses this capital asset to earn parking fees from the public for its use.

CAPITOL SQUARE REVIEW AND ADVISORY BOARD

Management's Discussion and Analysis

For the Year Ended June 30, 2004

It should be noted that debt paid by the business-type activity is from parking fees; the debt itself is related to the Statehouse restoration project and not to the Statehouse Underground Parking Garage.

	2004			2003		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current Assets	\$890,260	3,204,480	\$4,094,740	\$1,091,412	2,865,307	\$3,956,719
Capital Assets, (net)	-	7,090,781	7,090,781	-	7,408,450	7,408,450
Total Assets	890,260	10,295,261	11,185,521	1,091,412	10,273,757	11,365,169
Current Liabilities	370,063	1,538,512	1,908,575	525,291	1,295,076	1,820,367
Non-Current Liabilities	526,051	5,408,588	5,934,639	533,732	5,816,557	6,350,289
Total Liabilities	898,114	6,947,100	7,843,214	1,059,023	7,111,633	8,170,656
Net Assets						
Invested in Capital assets, net of related debt	-	1,529,056	1,529,056	-	1,518,909	1,518,909
Unrestricted net assets	(5,854)	1,819,105	1,813,251	32,389	1,643,215	1,675,604
Total Net Assets	\$(5,854)	3,348,161	\$3,342,307	\$32,389	3,162,124	\$3,194,513

As of June 30, 2004, the board reported a positive net asset balance in its business-type activities but a negative net asset balance in its governmental activities. As of June 30, 2003 the Board reported positive balances in both categories.

	2004			2003		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Charges for Services	\$595,386	2,569,444	\$3,164,830	\$750,979	2,526,358	\$3,277,337
Operating grants and contributions	18,652	-	18,652	71,897	47,877	119,774
General revenues	2,973,679	30,334	3,004,013	2,556,866	-	2,556,866
Transfers	(206,396)	206,396	-	(1,232,560)	956,382	(276,178)
Total Revenues	3,381,321	2,806,174	6,187,495	2,147,182	350,617	2,497,799
Expenses	3,419,563	2,620,137	5,983,720	(2,676,859)	(2,797,753)	(5,474,612)
Change in net assets	(38,242)	186,037	147,795	(529,677)	732,864	203,187
Beginning Assets	32,388	3,162,124	3,194,512	562,065	2,429,260	2,991,325
Ending Assets	\$(5,854)	3,348,161	\$3,342,307	32,388	3,162,124	\$3,194,512

CAPITOL SQUARE REVIEW AND ADVISORY BOARD

Management's Discussion and Analysis

For the Year Ended June 30, 2004

Governmental Activities

Employee payroll and benefits accounts for \$2.2 of the \$3.4 million of total expenses for the governmental activities or 65%. Costs of operating and maintaining the Board's facilities and the purchase of goods for resale in the gift shop accounts for the remaining 35% of governmental activities expense.

The Board charges for products sold in the Statehouse Museum Shop and for permits, rentals, labor and a percentage of catering for Special Events held on Statehouse Square. The Statehouse Museum Shop provides the governmental activities charges for services of \$595,386.

There was a transfer of \$206,396 in assets from Governmental Activities to Business-Type Activities. This represented the completion of Phase I of the installation of the Parking Garage fire suppression system.

Financial Analysis of the Board's Funds

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Board's governmental funds is to provide a clean, safe, and aesthetically pleasing environment for our tenants and visitors to Capitol Square. We also maintain the Statehouse Museum and a Special Events staff to enhance the potential use and enjoyment of these buildings and grounds.

At the end of FY2004, the board's Governmental Funds reported a combined ending fund balance of \$538,554. This represented a decrease from FY2003 of \$46,212. The Board's General Fund increased by \$84,722 while the Statehouse Museum and Special Events (Fund4S7) decreased \$108,466.

General Fund Budgeting Highlights

The Board's budget is prepared according to the Ohio Revised Code. The most significant budgeted fund is the General Fund. The General Fund budget was reduced by Executive Order of the Governor from the original appropriation of \$3,053,662 to \$2,931,516 during the course of FY2004, as explained previously.

Capital Assets and Debt Administration

Capital Assets: The Board's investment in capital assets for its business-type activity as of June 30, 2004, amounts to \$7,090,781(net of accumulation depreciation). This investment in capital assets includes Parking Garage facility, improvements, and equipment.

CAPITOL SQUARE REVIEW AND ADVISORY BOARD

Management's Discussion and Analysis

For the Year Ended June 30, 2004

Note 2 (Capital Assets and Depreciation) provides capital asset activity during FY2004.

Long-term Debt: As required by H.B. 715, the Board entered into an agreement with the Ohio Building Authority to pay off \$8,976,779 of the Authority's series A bonds principal and interest carrying charges. These bond monies were used in the restoration of the Statehouse and are being paid from fund 208 Parking Garage Operating.

FY2004 bond principal and interest payment was \$756,749. Other obligations are for compensated absences that are provided in the Notes.

Economic Factors

The economic downturn, which adversely effected FY2003, has continued into FY2004. We did experience an increase in appropriations for FY2004. Due to a soft economy, we expect parking fees to remain flat into FY 2005.

CAPITOL SQUARE REVIEW AND ADVISORY BOARD
STATEMENTS OF NET ASSETS
As of June 30, 2003 and 2004

	As of June 30, 2004			As of June 30, 2003		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
CURRENT ASSETS						
Cash Equity with Treasurer	\$ 427,094	2,262,317	\$ 2,689,411	\$ 563,972	2,119,637	\$ 2,683,609
State Appropriations Receivable	181,188	-	181,188	197,979	-	197,979
Collateral on Loan Securities	169,571	907,241	1,076,812	187,473	711,742	899,215
Interest Receivable	-	-	-	615	2,331	2,946
Other Assets	27,843	34,922	62,765	30,260	31,597	61,857
Inventories	84,564	-	84,564	111,113	-	111,113
Total Current Assets	890,260	3,204,480	4,094,740	1,091,412	2,865,307	3,956,719
NONCURRENT ASSETS						
Capital Assets, Net	-	7,090,781	7,090,781	-	7,408,450	7,408,450
Total Assets	890,260	10,295,261	11,185,521	1,091,412	10,273,757	11,365,169
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	78,291	20,598	98,889	218,670	14,576	233,246
Workers' Compensation-current	3,657	1,837	5,494	3,009	1,560	4,569
Compensated Absences-current	18,357	16,015	34,372	18,646	9,950	28,596
Accrued Liabilities	103,844	59,049	162,893	97,493	51,786	149,279
Accrued Interest Expense	-	88,737	88,737	-	96,672	96,672
Obligations Under Securities Lending	169,571	907,241	1,076,812	187,473	711,742	899,215
Deferred Revenue	-	9,475	9,475	-	6,675	6,675
Bonds Payable-current	-	435,560	435,560	-	402,115	402,115
Total Current Liabilities	373,720	1,538,512	1,912,232	525,291	1,295,076	1,820,367
NONCURRENT LIABILITIES						
Workers' Compensation-noncurrent	357,437	173,358	530,795	360,421	222,375	582,796
Compensated Absences-noncurrent	164,957	109,065	274,022	173,311	106,756	280,067
Bonds Payable-noncurrent	-	5,126,165	5,126,165	-	5,487,426	5,487,426
Total Noncurrent Liabilities	522,394	5,408,588	5,930,982	533,732	5,816,557	6,350,289
Total Liabilities	896,114	6,947,100	7,843,214	1,059,023	7,111,633	8,170,656
NET ASSETS						
Invested in Capital Assets, net of related debt	-	1,529,056	1,529,056	-	1,518,909	1,518,909
Unrestricted Net Assets	(5,854)	1,819,105	1,813,251	32,389	1,643,215	1,675,604
Total Net Assets	\$ (5,854)	3,348,161	\$ 3,342,307	\$ 32,389	3,162,124	\$ 3,194,513

See accompanying notes to the financial statements.

CAPITOL SQUARE REVIEW AND ADVISORY BOARD
STATEMENT OF ACTIVITIES
For the year ended June 30, 2004

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET(EXPENSE)/REVENUE AND CHANGES IN NET ASSETS		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
General Government	\$ 3,419,563	595,386	18,652	-	(2,805,525)	-	\$ (2,805,525)
Total Governmental Activities	3,419,563	595,386	18,652	-	(2,805,525)	-	(2,805,525)
Business-Type Activities							
Underground Parking Garage	2,620,137	2,569,444	-	-	-	(50,693)	(50,693)
Total Business Type Activities	2,620,137	2,569,444	-	-	-	(50,693)	(50,693)
Total Primary Government	\$ 6,039,700	3,164,830	18,652	-	(2,805,525)	(50,693)	(2,856,218)
			General Revenues:				
			State Appropriations		2,969,652	-	2,969,652
			Investments		939	30,334	31,273
			Other		3,088	-	3,088
			Transfer		(206,396)	206,396	-
			Total General Revenues and transfers		2,767,283	236,730	3,004,013
			Change in Net Assets		(38,242)	186,037	147,795
			Net Assets, July 1		32,388	3,162,124	3,194,512
			Net Assets, June 30		(5,854)	3,348,161	\$ 3,342,307

See accompanying notes to the financial statements.

**CAPITOL SQUARE REVIEW AND ADVISORY BOARD
STATEMENT OF ACTIVITIES
For the year ended June 30, 2003**

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>NET(EXPENSE)/REVENUE AND CHANGES IN NET ASSETS</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ <u>2,676,859</u>	<u>750,979</u>	<u>71,897</u>	<u>-</u>	<u>(1,853,983)</u>	<u>-</u>	\$ <u>(1,853,983)</u>
Total Governmental Activities	<u>2,676,859</u>	<u>750,979</u>	<u>71,897</u>	<u>-</u>	<u>(1,853,983)</u>	<u>-</u>	<u>(1,853,983)</u>
Business-Type Activities							
Underground Parking Garage	<u>2,797,753</u>	<u>2,526,358</u>	<u>47,877</u>	<u>-</u>	<u>-</u>	<u>(223,518)</u>	<u>(223,518)</u>
Total Business Type Activities	<u>2,797,753</u>	<u>2,526,358</u>	<u>47,877</u>	<u>-</u>	<u>-</u>	<u>(223,518)</u>	<u>(223,518)</u>
Total Primary Government	\$ <u><u>5,474,612</u></u>	<u><u>3,277,337</u></u>	<u><u>119,774</u></u>	<u><u>-</u></u>	<u>(1,853,983)</u>	<u>(223,518)</u>	<u>(2,077,501)</u>
			General Revenues:				
			State Appropriations		2,556,866	-	2,556,866
			Transfers		<u>(1,232,560)</u>	<u>956,382</u>	<u>(276,178)</u>
			Total General Revenues and transfers		<u>1,324,306</u>	<u>956,382</u>	<u>2,280,688</u>
			Change in Net Assets		(529,677)	732,864	203,187
			Net Assets, July 1		<u>562,065</u>	<u>2,429,260</u>	<u>2,991,325</u>
			Net Assets, June 30		<u><u>32,388</u></u>	<u><u>3,162,124</u></u>	\$ <u><u>3,194,512</u></u>

See accompanying notes to the financial statements.

**CAPITOL SQUARE REVIEW AND ADVISORY BOARD
BALANCE SHEETS
GOVERNMENTAL FUNDS
As of June 30, 2004 and 2003**

	As of June 30, 2004				As of June 30, 2003			
	General	Sale of Goods & Services Fund	Other Governmental Funds	Total	General	Sale of Goods & Services Fund	Other Governmental Funds	Total
ASSETS								
Cash Equity with Treasurer	\$ -	425,277	1,817	\$ 427,094	\$ -	543,344	20,628	\$ 563,972
State Appropriations Receivable	181,188	-	-	181,188	197,978	-	-	197,978
Collateral on Loan Securities	-	169,525	46	169,571	-	182,384	5,089	187,473
Interest Receivable	-	-	-	-	-	598	17	615
Other Receivables	17,658	10,177	8	27,843	1,903	23,459	4,898	30,260
Inventories	-	84,564	-	84,564	-	111,113	-	111,113
Total Assets	198,846	689,543	1,871	890,260	199,881	860,898	30,632	\$ 1,091,411
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ 69,743	8,548	-	\$ 78,291	\$ 163,902	53,518	1,250	\$ 218,670
Accrued Liabilities	88,683	15,161	-	103,844	80,281	20,221	-	100,502
Obligations Under Securities Lending	-	169,525	46	169,571	-	182,384	5,089	187,473
Total Liabilities	158,426	193,234	46	351,706	244,183	256,123	6,339	506,645
FUND BALANCES								
Unreserved, Reported In:								
General	40,420	-	-	40,420	(44,302)	-	-	(44,302)
Special Revenue	-	496,309	1,825	498,134	-	604,775	24,293	629,068
Total Fund Balances	40,420	496,309	1,825	538,554	(44,302)	604,775	24,293	584,766
Total Liabilities and Fund Balances	\$ 198,846	689,543	1,871	\$ 890,260	\$ 199,881	860,898	30,632	\$ 1,091,411
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities As of June 30, 2004 and 2003				As of June 30, 2004		As of June 30, 2003		
Total Governmental Fund Balance				\$ 538,554				\$ 584,766
Amounts reported for governmental activities in the statement of net assets are different because:								
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:								
Accrued workers compensation-noncurrent				(361,094)				(360,421)
Accrued compensated absences				(183,314)				(191,957)
Net Assets of Governmental Activities				\$ (5,854)				\$ 32,388

See accompanying notes to the financial statements.

CAPITOL SQUARE REVIEW AND ADVISORY BOARD
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
GOVERNMENTAL FUNDS
For the Fiscal Years Ended June 30, 2004 and 2003

	The Year Ended June 30, 2004				The Year Ended June 30, 2003			
	General	Sale of Goods & Services Fund	Other Governmental Funds	Total	General	Sale of Goods & Services Fund	Other Governmental Funds	Total
REVENUES								
State Appropriations	\$ 2,969,652	-	-	\$ 2,969,652	\$ 2,556,866	-	-	\$ 2,556,866
Sales, Services and Charges	-	602,851	11,187	614,038	-	742,503	8,476	750,979
Investment Income	-	1,015	(76)	939	-	11,297	(3,817)	7,480
Other	-	4,378	(1,290)	3,088	-	21,484	42,933	64,417
Total Revenues	<u>2,969,652</u>	<u>608,244</u>	<u>9,821</u>	<u>3,587,717</u>	<u>2,556,866</u>	<u>775,284</u>	<u>47,592</u>	<u>3,379,742</u>
EXPENDITURES								
CURRENT OPERATING								
General Government	2,678,534	716,710	32,289	3,427,533	1,461,878	812,322	55,862	2,330,062
Total Expenditures	<u>2,678,534</u>	<u>716,710</u>	<u>32,289</u>	<u>3,427,533</u>	<u>1,461,878</u>	<u>812,322</u>	<u>55,862</u>	<u>2,330,062</u>
Excess/(Deficiency) of Revenues over/(under) Expenditures	291,118	(108,466)	(22,468)	160,184	1,094,988	(37,038)	(8,270)	1,049,680
OTHER FINANCING USES								
Transfers Out	(206,396)	-	-	(206,396)	(956,382)	-	(276,178)	(1,232,560)
Total Other Financing Uses	(206,396)	-	-	(206,396)	(956,382)	-	(276,178)	(1,232,560)
Net Change in Fund Balances	<u>84,722</u>	<u>(108,466)</u>	<u>(22,468)</u>	<u>(46,212)</u>	<u>138,606</u>	<u>(37,038)</u>	<u>(284,448)</u>	<u>(182,880)</u>
Beginning Fund Balance	<u>(44,302)</u>	<u>604,775</u>	<u>24,293</u>	<u>584,766</u>	<u>(182,908)</u>	<u>641,813</u>	<u>308,741</u>	<u>767,646</u>
Ending Fund Balance	<u>\$ 40,420</u>	<u>496,309</u>	<u>1,825</u>	<u>\$ 538,554</u>	<u>\$ (44,302)</u>	<u>604,775</u>	<u>24,293</u>	<u>\$ 584,766</u>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities for the Years Ended June 30, 2004 and 2003				Year Ended June 30, 2004				Year Ended June 30, 2003
Net Change in Fund Balances-Total Governmental Funds				(46,212)				\$ (182,880)
Amounts reported for governmental activities in the statement of activities are different because								
Some activities reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.								
Workers compensation				(673)				(327,157)
Compensated absences				8,643				(19,640)
Change in Net Assets of Governmental Activities				<u>(38,242)</u>				<u>\$ (529,677)</u>

See accompanying notes to the financial statements.

CAPITOL REVIEW AND ADVISORY BOARD
STATEMENTS OF NET ASSETS
ENTERPRISE FUND
As of June 30, 2004 and 2003

	Underground Parking Garage	
	2004	2003
ASSETS		
CURRENT ASSETS		
Cash Equity with Treasurer	\$ 2,262,317	\$ 2,119,637
Collateral on Loan Securities	907,241	711,742
Interest Receivable	-	2,331
Other Assets	34,922	31,597
Total Current Assets	3,204,480	2,865,307
NONCURRENT ASSETS		
Capital Assets, Net	7,090,781	7,408,450
Total Assets	10,295,261	10,273,757
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	20,598	14,576
Workers' Compensation	1,837	1,560
Compensated Absences	16,015	9,950
Accrued Liabilities	59,049	51,786
Accrued Interest Expense	88,737	96,672
Obligations Under Securities Lending	907,241	711,742
Deferred Revenue	9,475	6,675
Bonds Payable	435,560	402,115
Total Current Liabilities	1,538,512	1,295,076
NONCURRENT LIABILITIES		
Workers' Compensation	173,358	222,375
Compensated Absences	109,065	106,756
Bonds Payable	5,126,165	5,487,426
Total Noncurrent Liabilities	5,408,588	5,816,557
TOTAL LIABILITIES	6,947,100	7,111,633
NET ASSETS		
Invested in Capital Assets, net of related debt	1,529,056	1,518,909
Unrestricted	1,819,105	1,643,215
Total Net Assets	\$ 3,348,161	\$ 3,162,124

See accompanying notes to the financial statements.

CAPITOL SQUARE REVIEW AND ADVISORY BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUND
For the Fiscal Years Ended June 30, 2004 and 2003

	Underground Parking Garage	
	2004	2003
Operating Revenues:		
Parking Revenues	\$ 2,569,444	\$ 2,526,358
Other	-	1,685
Total Operating Revenues	2,569,444	2,528,043
Operating Expenses:		
Administration and Cost of Sales and Services	1,651,468	1,976,093
Depreciation	547,672	539,286
Total Operating Expenses	2,199,140	2,515,379
Operating Income	370,304	12,664
Nonoperating Revenues (Expenses):		
Interest Income	30,334	46,192
Interest Expense	(420,997)	(282,374)
Total Non-Operating Revenues (Expenses)	(390,663)	(236,182)
Income Before Operating Transfers	(20,359)	(223,518)
Operating Transfers:		
Capital Contributions	206,396	956,382
Net Income	186,037	732,864
Beginning Net Assets	3,162,124	2,429,260
Ending Net Assets	\$ 3,348,161	\$ 3,162,124

See accompanying notes to the financial statements.

CAPITOL SQUARE REVIEW AND ADVISORY BOARD
STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
For the Fiscal Years Ended June 30, 2004 and 2003

	Underground Parking Garage	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 1,998,733	\$ 1,956,445
Cash received from intergovernments	583,685	573,749
Cash payments to employees	(1,060,523)	(1,308,772)
Cash payments to suppliers	(590,900)	(461,825)
Cash payments to intergovernments	(41,785)	(68,961)
Net Cash Provided (Used) By Operating Activities	889,210	690,636
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(23,607)	(72,177)
Principal payment on long-term obligations	(402,115)	(490,028)
Cash payments for interest expense	(354,634)	(267,085)
Net cash used in capital and related financing activities	(780,356)	(829,290)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest earnings	33,826	73,493
Net (Decrease)/Increase in Cash and Cash Equivalents	142,680	(65,161)
Cash and Cash Equivalents, Beginning of the Year	2,119,637	2,184,798
Cash and Cash Equivalents, End of the Year	\$ 2,262,317	\$ 2,119,637
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating Income	\$ 370,304	\$ 12,664
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	547,672	539,286
Decrease (Increase) in Assets:		
Due from other fund	2,331	-
Accounts receivable and prepaid expense	(3,325)	6,538
Increase (Decrease) in Liabilities		
Accounts Payable	6,022	(34,841)
Accrued Liabilities	(36,594)	166,189
Deferred Revenue	2,800	800
Net Cash Flows Provided by Operating Activities	\$ 889,210	\$ 690,636

See accompanying notes to the financial statements.

STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements represent the financial position and results of operations and cash flows of the Capitol Square Review and Advisory Board (the Board) as of and for the fiscal years ended June 30, 2004 and 2003. The Board is part of the State of Ohio's reporting entity. The State of Ohio Comprehensive Annual Financial Report provides more extensive disclosure regarding the significant accounting policies of the State as a whole.

The Capitol Square Review and Advisory Board, formerly known as the State Parking Commission, was created by an act of the General Assembly of the State of Ohio, effective October 2, 1961. The Commission was authorized and empowered, among other things, (a) to construct and thereafter operate and maintain the parking facility under the Statehouse grounds in the City of Columbus; (b) issue parking facility revenue bonds of the State of Ohio for the purpose of paying the costs of the facility and (c) to fix, and revise from time to time, and charge and collect fees for the use of the parking facility. Pursuant to Am. Sub. Senate Bill No. 381 passed November 17, 1992, the State Parking commission was abolished effective June 30, 1993 with all functions, powers, duties and obligations of the Commission transferred, assigned, and assumed by the Capitol Square Review and Advisory Board. All employees of the Commission were transferred to the Board. The Board is a non-taxable entity and, as such, no taxes have been accrued.

B. Basis of Presentation - Fund Accounting

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), in Statement No.34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. While the Statement is scheduled for a phased implementation according to the size of the governmental unit, the Board is required to adopt the Statement in the same years that the State adopts it, and the State elected adoption for the year ended June 30, 2002.

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the Board:

Governmental Fund Types

The Board has the following Governmental Fund Types:

- a. General Fund - The General Fund is the general operating fund of the Board and is used to account for all resources currently available for use, but expendable only from general appropriations of the state government.

STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- b. Special Revenue Fund - The Special Revenue Fund accounts for all donations received in support of the renovation of the capitol square, fees and receipts charged for special events held on the capitol square, operations of the museum gift shop, which began operation during fiscal years 1996, and excess revenues from the Garage Fund held by the Board to pay for future construction, renovation and other costs related to the capitol square for which money is not available to the Board.

Proprietary Fund Types

Enterprise - The enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprise. For the Board, the enterprise fund consists of the underground parking garage facility, formerly know as the State Parking Commission. This enterprise manages the underground parking facility located at the Capitol Square in the heart of downtown Columbus, Ohio.

The board reports the following major governmental funds:

General – The General Fund, the Board’s primary operating fund, accounts for resources of the general government, except those required to be accounted for in another fund.

Sale of Goods and Services – This fund accounts for operations of the museum gift shop and fees and receipts charged for catering and special events held on the Capitol Square.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Board and for each governmental program. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Board.

STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Financial Accounting Standards

The Board complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial state for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For the enterprise fund, GASB Statement Nos. 20 and 34 provide the Board the option of electing to apply FASB pronouncements issued after November 30, 1989. The Board has elected not to apply those pronouncements.

Fund Financial Statements

Fund financial statements report detailed information about the Board. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column.

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Exception to this is for the cost of compensated absences, which are recorded as expenditures in the period in which they will be liquidated with expendable available financial resources.

Proprietary Funds

The Proprietary Fund is accounted for using the accrual basis of accounting. This fund accounts for operations that are primarily financed by user charges. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash with Treasurer

Cash with Treasurer consist of pooled deposits and investments carried at cost, which approximates market. The State's cash pool, under the Treasurer of State's administration, has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash with Treasurer is considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

E. Inventory

Inventory consists of merchandise used in the gift shop located in the State Capitol Building. Inventory is valued at cost based on last in, first out method of accounting.

F. Property and Equipment

Property and equipment are recorded at cost in the proprietary fund. Depreciation is computed on the straight-line basis using a 60 and 25 years life for the parking facility and improvements, and a ten years life for equipment. The Board's policy is to capitalize property, plant, and equipment expenditures exceeding a \$15,000 threshold. Applicable expenditures for property, plant, equipment, additions for the parking facility (proprietary fund) are capitalized in the Enterprise Fund.

G. Compensated Absences

Employees of the Board follow State of Ohio policies for payment of compensated absences. Employees can earn vacation leave, sick leave, and personal leave at various rates with limits specified under collective bargaining agreements or under law. Employees accrue vacation leave at the rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum rate of 7.7 hours every two weeks after 20 years of employment. At termination or retirement, employees are paid at their full rate 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 percent of unused sick leave.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, vacation, compensatory time, and personal leaves are accrued as liabilities when an employee's rights to the payment 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 other means, such as cash payment at termination or retirement.

**STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Compensated Absences (continued)

Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

H. Reclassification

The presentation of certain prior year information has been reclassified to conform with the current year presentation

2. CAPITAL ASSETS AND DEPRECIATION

<u>Capital Assets</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non depreciable assets				
Construction in Progress	<u>956,382</u>	-	<u>956,382</u>	-
Total non depreciable assets	956,382	-	956,382	-
Depreciable assets				
Parking Facility	\$ 7,246,805	-	-	\$ 7,246,805
Parking Facility Improvements	8,364,621	1,162,778	-	9,527,399
Equipment	<u>206,540</u>	<u>23,607</u>	-	<u>230,147</u>
Total depreciable assets	<u>\$15,817,966</u>	<u>1,186,385</u>	-	<u>\$17,004,351</u>
Less Accumulated Depreciation:				
Parking Facility	\$ 5,649,018	120,780	-	\$ 5,769,798
Parking Facility Improvements	3,610,876	407,113	-	4,017,989
Equipment	<u>106,004</u>	<u>19,779</u>	-	<u>125,783</u>
Total accumulated Depreciation	<u>\$ 9,365,898</u>	<u>547,672</u>	-	<u>\$9,913,570</u>
Net depreciable assets	<u>\$ 6,452,068</u>			<u>\$7,090,781</u>
Total capital assets, net	<u>\$7,408,450</u>			<u>\$ 7,090,781</u>

Depreciation expense for the years ended June 30, 2004 and 2003 amounting to \$547,672 and \$539,286 respectively, and was charged to the Underground Parking Garage enterprise fund.

**STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2003 and 2002**

3. SECURITIES LENDING TRANSACTIONS

Generally, during the years, CSRAB had securities lending transactions through cash held by the State Treasurer which consisted of U.S. Government and U.S. Government Agency Obligations. These securities were collateralized by Cash and U.S. Government Securities. The loan contracts specifically do not allow the Treasurer to pledge or sell collateral securities without a borrower default. The value of the collateral provided is required to exceed the value of the underlying securities out on loan by 2% of the market value of the underlying securities.

There was no restriction on amounts of the total loan contracts. However, there are percentage and dollar cap restrictions relating to the amount on loan to a single borrower, and there is no loss indemnification provided by the Treasurer's Office by its lending agents.

The maturities of the investments purchased with cash collateral generally match the maturities of underlying securities loaned at June 30, 2004 and 2003. There is no credit risk because the value of the collateral exceeds the value of the securities loaned. Also there were no losses on securities lending transaction during fiscal years 2003 resulting from the default of a borrower or lending agent, nor were there any prior period losses.

4. RETIREMENT PLAN

Plan Description

Substantially all employees are covered by the Ohio Public Employees Retirement System (OPERS). This retirement program is statewide cost-sharing multiple-employer defined benefit pension plans. OPERS 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.

OPERS issues separate, publicly available financial reports that include financial statements and required supplementary information. PERS financial report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (888) 400-0965.

The Revised Code of Ohio (ORC) provides OPERS statutory authority for employee and employer contributions based on percentages of covered employees' gross salaries, with the contribution rate percentages being calculated annually by the Retirement Board's actuaries. The employee contribution rate is 8.5% of covered payroll costs; the employer contribution rate was 13.55% of covered payroll costs.

The Board's contributions, which represent 100% of the required contributions, for the years ended June 30, 2004 and for each of the three preceding years were as follows:

**STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2004 and 2003**

4. RETIREMENT PLAN (Continued)

<u>Years Ended June 30</u>	<u>Percentage Contribution</u>	<u>PERS Annual Required Contributions</u>
2001	100%	\$301,160
2002	100%	\$370,746
2003	100%	\$334,075
2004	100%	\$317,315

Trend information showing the progress of OPERS in accumulating sufficient assets to pay benefits when due is presented in their annual financial reports. Copies of these reports may be obtained from OPERS.

5. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 4, the Public Employees Retirement System of Ohio provides post retirement health 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 Number 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate was 13.31% of covered payroll of which 5% was used to fund health care for the year. The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to PERS.

The assumptions and calculations below were based on the system's latest actuarial review performed as of December 31, 2002. Any entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfounded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8%. An annual increase of 4% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase were to range from 0.5% to 6.3%. Health care costs were assumed to increase 4% annually.

**STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2004 and 2003**

5. OTHER POST EMPLOYMENT BENEFITS (continued)

OPEB is advance funded on an actuarially determined basis. The number of active contributing participants was 364,881. The portion of CSRAB's contributions that were used to fund post employment benefits in 2003 was \$331,868. The value of the system's net assets available for OPEB was \$10.0 billion at December 31, 2002 (the latest information available). The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

6. BOND SERVICE CHARGES PAYABLE

As required by Section 138 of H.B. 715, the Board entered into an agreement with the Ohio Building Authority (the Authority) on August 31, 1994, to pay for \$6,976,779 of the Authority's 1993 series A Bonds principal and interest carrying charges at an average interest rate of 5.77 percent. On June 25, 1997, the Board agreed to pay for an additional \$2,000,000 of the Authority's 1993 series A Bonds.

The agreement provides, in part, that upon invoicing by the Authority, the Board shall pay or cause to be paid to the Authority on or before each March 1 and September 1 an amount equal to the estimated Bond Service Charges as defined in the Trust Agreement.

The debt is reported net on the statement of net assets, the deferred amount and bond premium is amortized and included as a component of interest cost on the statement of activities. Accordingly the remaining minimum payments required under the agreement as of June 30, 2004 less applicable deferred amounts and bond premium follows:

<u>Years</u>	<u>Debt Payment</u>	<u>Refunding Amount</u>	<u>Total Payment</u>
2005	\$ 505,492	69,932	\$ 435,560
2006	533,270	62,145	471,125
2007	656,704	27,831	628,873
2008	691,952	17,978	673,974
2009	637,102	33,022	604,080
2010 and after	<u>2,833,128</u>	<u>85,015</u>	<u>2,748,113</u>
Total Principal payments	<u>\$5,857,648</u>	<u>295,923</u>	<u>\$5,561,725</u>

**STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2004 and 2003**

6. BOND SERVICE CHARGES PAYABLE (continued)

Add: Interest Payments

	July 1, 2003 Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	June 30, 2004 Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
Business type activities:					
Bonds	\$ <u>5,963,840</u>	-	402,115	5,561,725	\$435,560
Total Bonds	\$ <u>5,963,840</u>	<u>-</u>	<u>402,115</u>	<u>5,561,725</u>	<u>\$435,560</u>

At June 30, 2004 and 2003, there was unpaid accrued interest of \$88,737 and \$96,672 respectively, which is recorded as a liability in the Enterprise fund.

7. OTHER LONG-TERM OBLIGATIONS

Other general long-term obligations of the Board at June 30, 2004 and 2003 consisted of the following:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
<u>Governmental-Type Activities</u>					
Compensated Absences	\$ 191,957	-	8,643	\$ 183,314	\$ 18,357
Workers' Compensation	<u>360,421</u>	<u>673</u>	-	<u>361,094</u>	<u>3,657</u>
Total Governmental Activities	<u>\$ 552,378</u>	<u>673</u>	<u>8,643</u>	<u>\$ 544,408</u>	<u>\$ 22,014</u>
<u>Business-Type Activities</u>					
Compensated Absences	\$ 116,706	8,374	-	\$ 125,080	\$ 16,015
Workers' Compensation	<u>223,935</u>	-	<u>48,740</u>	<u>175,195</u>	<u>\$ 1,837</u>
Total Business-Type Activities	<u>\$ 340,641</u>	<u>8,374</u>	<u>48,740</u>	<u>\$ 300,275</u>	<u>\$ 17,852</u>

**STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2004 and 2003**

7. OTHER LONG-TERM OBLIGATIONS (continued)

Compensated Absences

Compensated absences include amounts earned for vacation leave, sick leave, and personal leave that are attributable to services already rendered and will probably be paid through paid time off or some other means.

8. RISK MANAGEMENT

The Board 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. The Board maintains commercial insurance coverage for loss due to theft, damage, destruction of assets, errors and omission and injuries to employees. Other losses are self insured each of those risks of loss. Where insurance is maintained, management believes such coverage is sufficient to preclude any significant uninsured losses to the Board.

Insurance coverage has been maintained at the same level and there have been no uninsured losses or settlements exceeding insurance coverage for the last three years.

9. DEFERRED COMPENSATION

Employees of the Board may elect to participate in the Ohio Public Employees Deferred Compensation Program, a deferred compensation plan. The plan, created in accordance with Internal Revenue Service Code Section 457, permits employees to defer a portion of their salary and the related tax liability until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust solely for the exclusive benefit of the participants and their beneficiaries.

The assets and the corresponding liability to the employees participating in the program have not been reflected in the accompanying financial statements as these amounts are solely the property and obligation of the State of Ohio.

**CAPITOL SQUARE REVIEW AND AND ADVISORY BOARD
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP
BUDGETARY BASIS) GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	General Fund			Sales of Goods & Services Fund		
	Original Budget	Final Budget	Actual Plus Encumbrances	Original Budget	Final Budget	Actual Plus Encumbrances
Revenues:						
State Appropriations	\$ 3,053,662	2,931,516	3,167,629	770,484	770,484	\$ 627,789
Sales, Services and Charges	-	-	-	-	-	-
Investment Earnings	-	-	-	-	-	-
Total Revenues	<u>3,053,662</u>	<u>2,931,516</u>	<u>3,167,629</u>	<u>770,484</u>	<u>770,484</u>	<u>627,789</u>
Expenditures:						
Current:						
General Government	<u>3,312,263</u>	<u>2,703,862</u>	<u>2,930,635</u>	<u>770,484</u>	<u>770,484</u>	<u>749,224</u>
Total Budgetary Expenditures	<u>3,312,263</u>	<u>2,703,862</u>	<u>2,930,635</u>	<u>770,484</u>	<u>770,484</u>	<u>749,224</u>
Excess (Deficiency) Revenues Over (Under) Budgetary Expenditures	(258,601)	227,654	236,994	-	-	(121,435)
Other Financing Sources:						
Encumbrance Reversions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Budgetary Expenditures	<u>\$ (258,601)</u>	<u>227,654</u>	236,994	<u>-</u>	<u>-</u>	(121,435)
Unreserved, Undesignated Budgetary Fund Balances (Deficits), July 1, 2003			<u>(185,923)</u>			<u>549,216</u>
Unreserved, Undesignated Budgetary Fund Balances (Deficits), June 30, 2004			<u>\$ 51,071</u>			<u>\$ 427,781</u>

**CAPITOL SQUARE REVIEW AND AND ADVISORY BOARD
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP
BUDGETARY BASIS) GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	General Fund			Sales of Goods & Services Fund		
	Original Budget	Final Budget	Actual Plus Encumbrances	Original Budget	Final Budget	Actual Plus Encumbrances
Revenues:						
State Appropriations	\$ 2,684,679	2,684,679	2,684,679	743,606	743,606	\$ 743,606
Sales, Services and Charges	-	-	-	17,330	17,330	17,330
Investment Earnings	-	-	-	17,715	17,715	17,715
Total Revenues	<u>2,684,679</u>	<u>2,684,679</u>	<u>2,684,679</u>	<u>778,651</u>	<u>778,651</u>	<u>778,651</u>
Expenditures:						
Current:						
General Government	<u>2,694,061</u>	<u>2,694,061</u>	<u>2,694,061</u>	<u>799,972</u>	<u>799,972</u>	<u>799,972</u>
Total Budgetary Expenditures	<u>2,694,061</u>	<u>2,694,061</u>	<u>2,694,061</u>	<u>799,972</u>	<u>799,972</u>	<u>799,972</u>
Excess (Deficiency) Revenues Over (Under) Budgetary Expenditures	(9,382)	(9,382)	(9,382)	(21,321)	(21,321)	(21,321)
Other Financing Sources:						
Encumbrance Reversions	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Budgetary Expenditures	<u>\$ (9,382)</u>	<u>(9,382)</u>	(9,382)	<u>(21,321)</u>	<u>(21,321)</u>	(21,321)
Unreserved, Undesignated Budgetary Fund Balances (Deficits), July 1, 2003			<u>(176,541)</u>			<u>570,537</u>
Unreserved, Undesignated Budgetary Fund Balances (Deficits), June 30, 2004			<u>\$ (185,923)</u>			<u>\$ 549,216</u>

**STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
For the Years Ended June 30, 2004 and 2003**

BUDGETARY BASIS OF ACCOUNTING

The Board follows the State of Ohio's budgetary process. As required by the Ohio Revised Code, The Governor submits biennial operating and capital budgets to the General Assembly. The budget is comprised of all proposed expenditures and estimated revenues and borrowing for a biennium.

Biennially, the General Assembly approves operating and capital appropriations. Operating appropriations are provided in annual amounts while capital appropriations are provided in two-years amounts.

For budgeted funds, the State's Central Accounting System controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. A modified cash basis of accounting is used for budgetary purposes. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded as a reserve of the applicable appropriations, is employed as an extension of formal budgetary integration in the State's accounting system. Encumbrances outstanding in the General and special revenue funds at fiscal years-end are reported as reservations of fund balances for expenditures in subsequent years. Operating encumbrances are generally canceled five months after fiscal years-end while capital encumbrances are automatically re-appropriated. Unencumbered appropriations lapse at the end of the biennium for which they were appropriated.

In the Combined Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis), budgeted revenues for the General Fund represent periodically updated revenue budgets. For other budgets funds, the original budgeted revenues, as submitted by the Governor, do not represent actual forecasts of revenues and are not amended to coincide with any legislative changes to the original expenditure budget.

Accordingly, budgeted revenues and other financing sources and uses for budgeted funds other than the General Fund are reported at actual amounts, since the State does not have updated, budgeted revenue and other financing sources for use in the accompanying budgetary-basis financial statements.

In addition, budgetary expenditures include cash disbursements against fiscal years 2004 and 2003 appropriations and outstanding encumbrances, as of June 30, 2004 and 2003 that were committed during fiscal years 2004 and 2003 respectively. Encumbrance reversions represent lapses of prior years appropriations.

BUDGETARY BASIS OF ACCOUNTING (continued)

Actual revenues, expenditures, encumbrances and transfers-in and transfers-out on the non-GAAP budgetary basis do not equal those reported on the GAAP-basis in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance - General and Special Revenue Funds. This difference results primarily from basic differences in the recognition of accruals, inter-fund transactions and from timing differences in the budgetary basis of accounting for encumbrances.

On the non-GAAP budgetary basis, encumbrances are recognized as expenditures in the year encumbered, while on the modified accrual basis, expenditures are recognized when goods or services are received regardless of the year encumbered.

A reconciliation necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental fund types is provided below:

CAPITOL SQUARE REVIEW AND AND ADVISORY BOARD
General and Special Revenue Funds
Schedule of Reconciliation of GAAP-Basis to Non-GAAP Budgetary Basis
For the Fiscal Years Ended June 30, 2004 and 2003

	<u>June 30, 2004</u>		<u>June 30, 2003</u>	
	<u>General Fund</u>	<u>Sales of Goods & Services Fund</u>	<u>General Fund</u>	<u>Sales of Goods & Services Fund</u>
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ 236,994	(121,435)	\$ (9,382)	(21,321)
Net Adjustment for revenue accruals	(197,977)	32,514	(127,813)	(3,367)
Net Adjustment for expense accruals	252,101	(19,545)	275,801	(12,350)
Adjustment for other uses	<u>(206,396)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP Basis)	 <u>\$ 84,722</u>	 <u>(108,466)</u>	 <u>\$ 138,606</u>	 <u>(37,038)</u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Honorable Betty Montgomery
Auditor of State of Ohio and
The Capitol Square Review
and Advisory Board
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Capitol Square Review and Advisory Board (the Board), an independently audited organization that is part of the primary government of the State of Ohio, as of and for the years ended June 30, 2004 and 2003 and have issued our report thereon dated September 16, 2004. These financial statements are the responsibility of the Board'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.

Compliance

As part of obtaining reasonable assurance about whether the Board's governmental fund, business fund, each major fund, and the aggregate remaining funds are free of material misstatement, we performed tests of the Board's 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*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Board in a separate letter dated September 16, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing the assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we did note other matters involving the internal control over financial reporting, which we have reported to management of the Board in a separate letter dated September 16, 2004.

This report is intended solely for the information and use of the Board, management and the Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Farms & Company, LLC

September 16, 2004



**Auditor of State
Betty Montgomery**

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CAPITOL SQUARE REVIEW AND ADVISORY BOARD

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
DECEMBER 16, 2004**