Franklin Park Conservatory Joint Recreation District

Financial Statements for the Years
Ended December 31, 2003 and 2002
and Independent Auditors' Reports

Board of Directors
Franklin Park Conservatory Joint Recreation District
1777 East Broad Street
Columbus, Ohio 43203-2040

We have reviewed the Independent Auditor's Report of the Franklin Park Conservatory Joint Recreation District, Franklin County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2003 through December 31, 2003. 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 Franklin Park Conservatory Joint Recreation District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 22, 2004

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FRANKLIN PARK CONSERVATORY
JOINT RECREATION DISTRICT

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Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Franklin Park Conservatory Joint Recreation District

We have audited the accompanying statements of net assets of the Franklin Park Conservatory Joint Recreation District (the "Conservatory") as of December 31, 2003 and 2002 and the related statements of revenues, expenses and changes in net assets, cash flows and statement of net assets—agency fund, for the years then ended. These financial statements are the responsibility of the Conservatory'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 respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective 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.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Conservatory as of December 31, 2003 and 2002, and their changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 to 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. The supplementary information is the responsibility of the Conservatory's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and express no opinion on it.

In accordance with *Government Auditing Standards,* we have also issued our report dated April 23, 2004 on our consideration of the 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.

Deloitte + Touche LLP

April 23, 2004

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (“MD&A”) section of the Franklin Park Conservatory Joint Recreation District’s (the “Conservatory”) financial report represents a discussion and analysis of the Conservatory’s financial performance during the fiscal years ended December 31, 2003 and 2002. Please read it in conjunction with the Conservatory’s financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Conservatory accounts for all transactions under a single enterprise fund and the financial statements are prepared using proprietary fund (enterprise fund) accounting. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used. Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. These are followed by notes to the financial statements.

The Statement of Net Assets presents information on the assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Conservatory is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets reports the operating revenues and expenses and non-operating revenue and expenses of the Conservatory for the fiscal year with the difference being combined with any capital contributions to determine the change in net assets for the fiscal year.

The Statement of Cash Flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year’s cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

The Statement of Net Assets – Agency Fund is used to account for resources held for the benefit of parties outside the Conservatory. This statement is not reflected in the Statement of Net Assets, the Statement of Revenue, Expenses and Changes in Net Assets or the Statement of Cash Flows as the resources of the fund is not available to support the Conservatory’s own programs.

FINANCIAL HIGHLIGHTS

- Paid attendance increased 44% or approximately 45,000 visitors over 2002.
- The donations and grants income area increased 66% or approximately $491,000 over 2002.
- The Conservatory has continued its commitment to and participation in WOW!, a collaborative of six botanical gardens in North America. The purpose of this collaborative is to develop major blockbuster traveling exhibitions for botanical gardens.
- Total revenue increased 21.7% or $721,000 over 2002 while governmental support from the City of Columbus decreased by approximately $297,000.
- During 2003 the Conservatory developed a three-year business plan that addressed the expedited rate of government funding reductions and self-sustainability of the Conservatory.
- The Conservatory was issued a liquor license in September 2003 and the Conservatory immediately developed a new source of revenue to support its programs.
- Growing to Green, the Conservatory's community gardening program, now serves over 30 community gardens in Columbus.
- Conservatory member households increased from approximately 3,800 in 2002 to 5,000 in 2003.
- The Conservatory implemented a new signage system in 2003 that was reflective of the Conservatory and its desire to provide a quality customer service experience to everyone.

Financial Position

The following summarizes the Conservatory's financial position as of December 31, 2003 and 2002:

	2003	**2002**	% Change
ASSETS:			
Current assets	$ 832,042	$ 508,562	63.61%
Capital assets	5,134,190	5,351,532	-4.06%
Other noncurrent assets	213,329	179,231	19.02%
Total assets	$6,179,561	$6,039,325	2.32%
LIABILITIES:			
Current liabilities	$ 841,221	$ 451,881	86.16%
Noncurrent liabilities	85,811	93,292	-8.02%
Total liabilities	927,032	545,173	70.04%
NET ASSETS:			
Investment in capital assets, net of related debt	5,133,840	5,347,296	-3.99%
Restricted assets	279,239	321,149	-13.05%
Unrestricted net assets	(160,550)	(174,293)	-7.88%
Total net assets	5,252,529	5,494,152	-4.40%
Total liabilities and net assets	$6,179,561	$6,039,325	2.32%

***Capital Assets*—**During fiscal year 2003, the Conservatory expended $111,728 on capital assets. This included $7,100 for new roofing over the gift shop and café areas. Boiler isolation valves were replaced for a total cost of $7,732. This improvement allows the boilers to run individually and will improve the usage of natural gas. Gutters were replaced for a total cost of $2,875. $12,379 was spent on new electrical wiring for areas previously not wired. The security system was improved by adding door contacts and a new system for a total cost of $4,429. A complete signage system was added so that visitors could find their way from Broad Street and throughout the interior of the building. A design firm was hired and signage was purchased for a cost of $65,233. Café tables were purchased for $3,790. $4,941 was spent on new blinds for the classrooms. The horticulture area purchased a gator blade and side cab for $3,249.

Current Liabilities—During 2003, the Conservatory drew on their revolving credit agreement. These borrowings are collateralized by all assets now owned and those to be acquired. At December 31, 2003 the amount outstanding on the line of credit was $176,000. This line of credit was paid back in full as of March 10, 2004.

***Long-Term Liabilities*—**At December 31, 2003 and 2002, the Conservatory had long-term liabilities of $85,811 and $93,292, respectively. In 2003, this included $85,811 in accrued vacation and sick leave.

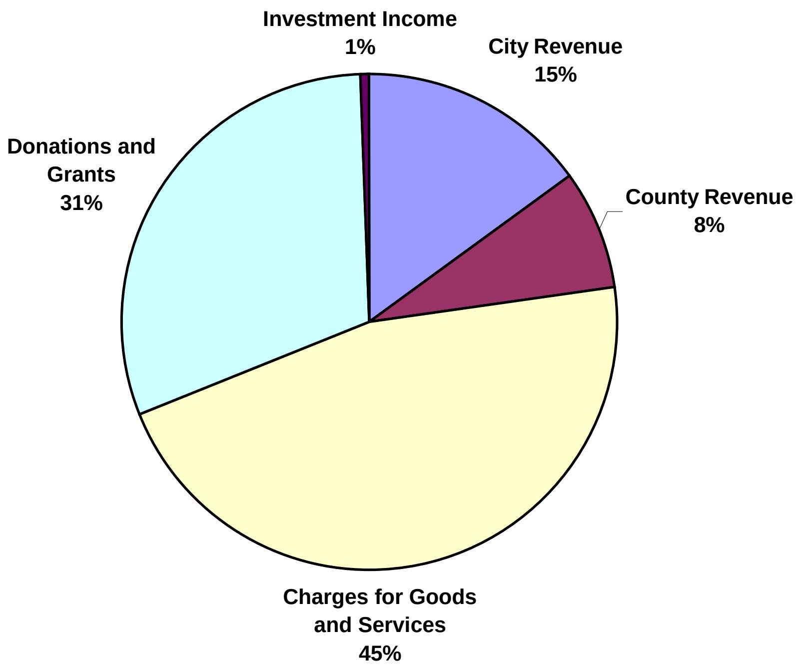
Net Assets—The Conservatory's assets exceeded liabilities by $5.3 million. The largest portion of the Conservatory's net assets each year ($5.1 million or 97.7% at December 31, 2003) represents its investment in capital assets, less related debt outstanding used to acquire those capital assets. The Conservatory uses these assets to provide services to its visitors; consequently, these assets are not available for future spending.

An additional portion of the Conservatory's net assets represents resources that are subject to restrictions as follows: Friends of the Conservatory $85,083, an endowment fund held at the Columbus Foundation $154,688, an endowment fund from Annie's Fund for the Creative Arts of $36,221, and an endowment for the Master Plan Gateway Fund of $3,247. The deficiency in unrestricted net assets decreased $13,743 from the prior year. The fluctuation is due to changes in revenue and expenses as described below.

Financial Information

Revenue

The following chart shows the major sources of revenue for the year ended December 31, 2003.



The following schedule presents a summary of revenues for the fiscal years ended December 31, 2003 and 2002.

	2003	**2002**	**Increase (Decrease)**
Operating Revenues:			
Charges for goods and services	$1,867,069	$1,318,600	$ 548,469
Non-operating Revenues:			
City revenue	603,591	900,894	(297,303)
County revenue	315,000	354,000	(39,000)
Donations and grants	1,233,862	742,761	491,101
Investment income	21,518	3,982	17,536
Total revenue	$4,041,040	$3,320,237	$ 720,803

Revenue for 2003 increased 21.7% from the previous year. The increase is largely the result of increases in operating revenues and donations and grants. The City of Columbus decreased its support by 33% or $297,303. The decrease is mainly due to the increasing budget cuts experienced at the City level. Including capital contributions of $100,000, the total County revenue remained consistent with 2002.

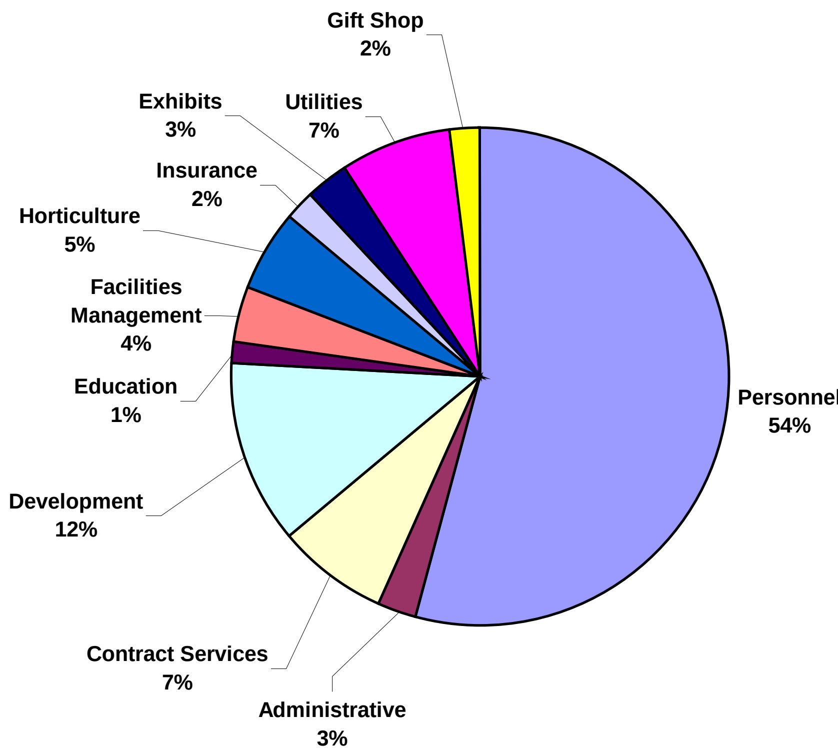
Charges for services revenues increased 41.6%. Membership sales increased 35% or $64,069. Our largest increase came in the gift shop area. Sales in this area increased $320,995 over 2002, an increase of 106%. Admissions are made up of individual ticket sales and group sales. Individual ticket sales increased by 75.6% over 2002, however, group sales decreased by 7.6%. School groups make up a large part of our attendance and this area lagged in 2003. Many schools faced budget cuts and field trips were reduced or eliminated. Other cultural institutions in Franklin County experienced the same decreases.

Donations and grants increased 66% or $491,101 over 2002. This increase is mainly due to increased sponsorship for the Chihuly Exhibition.

Due to decreases in governmental funding, we continue to develop ways to increase our income within the Conservatory. This is an area where income opportunities exist and we continually focus on growth in this area.

Expenses

The following chart shows the major categories of operating expenses for the year ended December 31, 2003.



The following schedule presents a summary of expenses for the fiscal years ended December 31, 2003 and 2002:

	2003	2002	Increase/ Decrease
Personnel	$2,191,998	$2,045,167	$ 146,831
Administrative	107,328	85,953	21,375
Contract services	285,851	98,670	187,181
Development department	492,675	296,002	196,673
Education department	53,394	36,428	16,966
Facilities management	142,187	146,590	(4,403)
Horticulture and engineering	220,640	163,536	57,104
Insurance	72,109	61,414	10,695
Special exhibits department	118,191	101,146	17,045
Utilities	294,954	184,261	110,693
Gift shop	74,266	29,061	45,205
Other		198	(198)
Total operating expenses	$4,053,593	$3,248,426	$ 805,167

Expenses increased by 24.8% over 2002. However, $470,000 of the total expenses was directly related to the Chihuly Exhibition, including $149,000 in rental fees for the use of the Chihuly artwork and $121,000 in marketing and design expenses. Increased attendance always increases expenses in maintenance and security. Horticulture and engineering spent approximately $52,000 to ready the facility for the large crowds. Many of the expenses for the Chihuly Exhibition were spent before the opening of the exhibition. Due to the large increase in sales, gift shop expenses also increased. Also, many gift shop expenses occurred before the exhibit opened to ready the shop for the large crowds.

Utility expenses increased dramatically in 2003. Natural gas rates climbed and expenses were 60.1% greater than 2002. In an effort to stabilize rates, a natural gas contract was signed in August when rates declined. Personnel expenses were up 7.2% over the prior year. Additional part-time employees were added for the final three months of the year and a new Visitor Services Director was added. Maintaining excellent customer service has been our goal.

FRANKLIN PARK CONSERVATORY
JOINT RECREATION DISTRICT

STATEMENTS OF NET ASSETS
DECEMBER 31, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	$ 328,000	$ 224,097
Restricted cash and cash equivalents	39,468	33,109
Restricted investments	86,006	143,249
Receivables	131,894	53,271
Prepaids	184,799	13,199
Inventory	61,875	41,637
Total current assets	832,042	508,562
NON-CURRENT ASSETS:		
Capital assets	8,266,662	8,154,934
Accumulated depreciation	(3,132,472)	(2,803,402)
Total capital assets net of accumulated depreciation	5,134,190	5,351,532
Other non-current assets	213,329	179,231
Total non-current assets	5,347,519	5,530,763
TOTAL ASSETS	$ 6,179,561	$ 6,039,325
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 416,233	$ 129,924
Deferred revenue	12,021	10,934
Customer deposits	176,051	205,200
Accrued payroll	60,566	101,937
Note payable	176,000	
Current obligation under capital lease	350	3,886
Total current liabilities	841,221	451,881
NON-CURRENT LIABILITIES:		
Accrued vacation and sick	85,811	92,942
Long-term obligation under capital lease		350
Total non-current liabilities	85,811	93,292
Total liabilities	927,032	545,173
NET ASSETS:		
Invested in capital assets—net of related debt	5,133,840	5,347,296
Restricted:		
Columbus Foundation	154,688	144,791
Expendable endowments	124,551	176,358
Total restricted net assets	279,239	321,149
Unrestricted net assets (deficiency)	(160,550)	(174,293)
Total net assets	5,252,529	5,494,152
TOTAL LIABILITIES AND NET ASSETS	$ 6,179,561	$ 6,039,325

See notes to financial statements.

FRANKLIN PARK CONSERVATORY
JOINT RECREATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
OPERATING REVENUES—Charges for goods and services	$ 1,867,069	$ 1,318,600
OPERATING EXPENSES:		
Personnel	2,191,998	2,045,167
Administrative	107,328	85,953
Contract services	285,851	98,670
Development	492,675	296,002
Education	53,394	36,428
Facilities management	142,187	146,590
Horticulture and engineering	220,640	163,536
Insurance	72,109	61,414
Special exhibits	118,191	101,146
Utilities	294,954	184,261
Gift shop	74,266	29,061
Other		198
Total operating expenses	4,053,593	3,248,426
OPERATING LOSS BEFORE DEPRECIATION	(2,186,524)	(1,929,826)
DEPRECIATION	329,070	332,404
OPERATING LOSS	(2,515,594)	(2,262,230)
NON-OPERATING REVENUE:		
Intergovernmental:		
City	603,591	900,894
County	315,000	354,000
Donations and grants	1,233,862	742,761
Investment income	21,518	3,982
Total non-operating revenue	2,173,971	2,001,637
LOSS BEFORE CAPITAL CONTRIBUTIONS	(341,623)	(260,593)
CAPITAL CONTRIBUTIONS	100,000	71,372
CHANGES IN NET ASSETS	(241,623)	(189,221)
NET ASSETS—Beginning of year	5,494,152	5,683,373
NET ASSETS—End of year	$ 5,252,529	$ 5,494,152

See notes to financial statements.

FRANKLIN PARK CONSERVATORY
JOINT RECREATION DISTRICT

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 1,788,446	$ 1,259,790
Cash paid to employees	(2,233,369)	(2,054,205)
Cash paid to others	(1,795,186)	(1,081,261)
Net cash used in operating activities	(2,240,109)	(1,875,676)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received from governmental entities	918,591	1,254,894
Cash received from loans	261,000	
Cash received from donations and grants	1,233,862	742,761
Cash provided by non-capital financing activities	2,413,453	1,997,655
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property, plant and equipment	(111,728)	(120,248)
Contributed capital	100,000	71,372
Membership payments to WOW!	(24,200)	(17,600)
Payments on capital lease obligations	(3,536)	(4,688)
Net cash used in capital and related financing activities	(39,464)	(71,164)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends received on cash and investments	3,797	16,707
Purchase of investments	(162,305)	(72,783)
Sale of investments	134,890	70,412
Net cash (used in) provided by investing activities	(23,618)	14,336
INCREASE IN CASH AND CASH EQUIVALENTS	110,262	65,151
CASH AND CASH EQUIVALENTS—Beginning of year	257,206	192,055
CASH AND CASH EQUIVALENTS—End of year (including restricted cash of $39,468 and $33,109 in 2003 and 2002, respectively)	$ 367,468	$ 257,206
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (2,515,594)	$ (2,262,230)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	329,070	332,404
(Increase) decrease in assets:		
Accounts receivable	(78,623)	(37,602)
Prepaids	(171,600)	(2,660)
Inventory	(20,238)	(1,568)
Increase (decrease) in liabilities:		
Accounts payable	286,309	41,398
Deferred revenue	1,087	9,580
Customer deposits	(29,149)	58,810
Accrued payroll	(41,371)	(13,808)
Net cash used in operating activities	$ (2,240,109)	$ (1,875,676)

See notes to financial statements.

FRANKLIN PARK CONSERVATORY
JOINT RECREATION DISTRICT

STATEMENTS OF NET ASSETS—AGENCY FUND
DECEMBER 31, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Restricted cash	$ 55,098	$ 25,658
Deposit with contractor	149,572	73,461
TOTAL ASSETS	$ 204,670	$ 99,119
LIABILITIES AND NET ASSETS		
LIABILITIES—Deposits due to WOW!	$ 204,670	$ 99,119
NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	$ 204,670	$ 99,119

See notes to financial statements.

1. REPORTING ENTITY

The City of Columbus (the "City") and Franklin County (the "County") agreed in 1990 to establish the Franklin Park Conservatory Joint Recreation District (the "Conservatory") pursuant to the authority contained in Section 755.14 (B) of the Ohio Revised Code ("ORC") upon the conclusion of Ameriflora 1992, Inc.'s horticulture exposition held at Franklin Park Conservatory. The original agreement allows the Conservatory to exist for a term of 40 years ending August 31, 2032. However, the City and County may renew and extend the agreement for additional successive terms of 10 years, with the title to the Conservatory's assets reverting back to the City at the end of the agreement.

The Conservatory is governed by a 17-member board, eight of whom shall be appointed by the City of Columbus' Mayor subject to confirmation by the City Council and six appointed by Franklin County. Additionally, the Governor, the Speaker of the House of Representatives, and the President of the Senate of the State of Ohio shall each appoint one member to the Conservatory board. State appointed members are non-voting members if they also serve as members of the Ohio General Assembly; no member presently serves both roles.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the Conservatory is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (i) the Conservatory's ability to impose its will over a component unit, or (ii) the possibility that the component unit will provide a financial benefit or impose a financial burden on the Conservatory. On that basis, the reporting entity of the Conservatory includes the Friends of the Conservatory as a blended component unit.

Friends of the Conservatory—In July 1999, the Conservatory created Friends of the Conservatory ("Friends"), a separate legal not for profit corporation, in accordance with section 501(c)(3) of the Internal Revenue Code, to support the common good of the general public through the support and assistance of and cooperation with the Conservatory. Although it is legally separate from the Franklin Park Conservatory, Friends of the Conservatory is reported as if it were part of the primary government because its sole purpose is to promote the Conservatory and raise capital and solicit funds in support of the Conservatory. On December 29, 2003, the Conservatory borrowed $85,000 from the Friends of the Conservatory. This note bears interest at prime and interest and principal are due on demand.

WOW! Collaborative—In 2002, Franklin Park Conservatory became a member of the WOW! collaborative. Five conservatories and botanical gardens joined together to create traveling exhibitions. During the year this group met several times and hired a designer to design the traveling exhibit. The Conservatory is currently holding all assets of WOW! until it becomes a separate legal entity. These assets are held in a separate agency fund. Agency funds are custodial in nature and do not involve measurement of results of operations.

Joint Venture—The arrangement between the City and the County establishing the Conservatory possesses the characteristics of an entity classified as a joint venture. The City contributed certain fixed assets to the Conservatory at the time of its inception and both the City and County have historically agreed to annual operating subsidies. In 2003 and 2002, the subsidies totaled $1,018,591 and $1,315,894, respectively. This represents 25% and 39%, respectively, of the Conservatory's 2003 and 2002 revenue. In the event of the Conservatory's liquidation, its assets will be transferred to the City. Based on the above, the Conservatory is a joint venture between the City and the County. Future capabilities of the Conservatory to operate at current service levels are dependent upon annual operating subsidiaries from the City and the County.

Reclassifications—Certain prior year amounts have been reclassified to conform to the current year's presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Conservatory have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. The Conservatory's significant accounting policies are described below.

Basis of Accounting—The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenue from charges for services are reported as operating revenues. Transactions, which are capital, financing or investment related, are reported as non-operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies and other miscellaneous expenses are reported as operating expenses.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Conservatory follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles, Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict or contradict GASB pronouncements.

Cash and Cash Equivalents—For the purposes of the statement of cash flows, the Conservatory considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments—In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Conservatory records all its investments at fair value, as required by the Statement.

***Inventory*—**Inventories are valued at cost using the first-in, first-out method.

Plant Collection—The Conservatory does not capitalize their plants, they are expensed as purchased. The plant collection is held for public exhibition and education, is protected, kept unencumbered, cared for and preserved and is subject to a Conservatory policy that requires proceeds from sales of the plant collection be used to acquire other plant collections.

Capital Assets—Capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The Conservatory capitalizes all assets over $2,500. The Conservatory does not possess any infrastructure. Depreciation has been provided, where appropriate, on a straight-line basis over the estimated useful lives ranging from 3 to 30 years. For 2003 and 2002, there were no capitalized interest costs.

Compensated Absences—The Conservatory follows GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued for vacation and sick leave if it is probable that the employee will be compensated through a cash payment. However, beginning January 1, 2003, vacation and sick leave earned during the year cannot be carried over to the following year. Vacation and sick leave earned prior to 2003 is available to use and an accrual has been recorded.

Long-Term Obligations—Capital leases are recognized as a liability.

Budgetary Accounting and Control—The Conservatory's annual budget is prepared on the accrual basis of accounting and approved by the Board of Directors. The budget includes anticipated amounts for current year revenues and expenses as well as new capital projects.

The Conservatory maintains budgetary control by not permitting total operating expenses and expenditures for individual programs to exceed their respective budget amounts without the appropriate approvals. All budget amounts lapse at year end.

New Accounting Standards Not Yet Implemented—During May 2002 the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which clarifies existing accounting guidance and provides greater consistency in accounting for organizations that are closely related to a primary government. The standard, which is effective for fiscal years beginning after June 15, 2003, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a state or local government. The Conservatory has not completed an analysis of the impact of this statement on its reported financial statements.

In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB No. 3,* which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The standard is effective for periods beginning after June 15, 2004. The Conservatory has not completed an analysis of the impact of this statement on its reported financial statements.

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* which establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The standard is effective for periods beginning after December 15, 2004. The Conservatory has not completed an analysis of the impact of this standard on its reported financial statements.

3. CASH AND INVESTMENTS

Cash and Cash Equivalents—The investment and deposit of the Conservatory's monies are governed by the provisions of the Ohio Revised Code ("ORC"). In accordance with these statutes, the Conservatory is authorized to invest in United States and State of Ohio bonds, notes and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; repurchase agreements secured by United States obligations; and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a-7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2003.

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Conservatory's name.

Deposits with Financial Institutions—At year-end, the carrying amount of the Conservatory's deposits was $367,468 and the total bank balance was $492,324, of which $487,527 was insured by the FDIC and $4,797 was uninsured.

Investments—The Conservatory's entire investment balance of $923 is invested in STAROhio and is not required to be categorized due to the fact that it does not exist in physical or book entry form.

Friends of the Conservatory—Friends of the Conservatory's investments are categorized to give an indication of the level of risk assumed by the Friends of the Conservatory. Category 1 includes investments that are insured or registered or for which the securities are held by the Friends of the Conservatory or its agent in the Friends of the Conservatory's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Friends of the Conservatory's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent and not in the Friends of the Conservatory's name.

	Category 2	Fair Value
U.S. treasury and agency	$ 835	$ 835
Money market and mutual funds	84,248	84,248
Total investments	$ 85,083	$ 85,083

4. CAPITAL ASSETS

A summary of the changes in capital assets for the fiscal year follows:

	Balance December 31, 2002	Additions	Disposals/ Deletion	Balance December 31, 2003
Capital assets:				
Land	$ 100,000	$ -	$ -	$ 100,000
Buildings	6,980,580			6,980,580
Building improvements	720,316	39,456		759,772
Equipment and fixtures	302,936	72,272		375,208
Vehicles	51,102			51,102
Total capital assets	8,154,934	111,728	-	8,266,662
Less accumulated depreciation:				
Buildings	2,443,203	232,687		2,675,890
Building improvements	167,151	41,920		209,071
Equipment and fixtures	170,305	44,245		214,550
Vehicles	22,743	10,218		32,961
Total accumulated depreciation	2,803,402	329,070	-	3,132,472
Net capital assets	$5,351,532	$(217,342)	$ -	$5,134,190

	Balance December 31, 2001	Additions	Disposals/ Deletion	Balance December 31, 2002
Capital assets:				
Land	$ 100,000	$ -	$ -	$ 100,000
Buildings	6,980,580			6,980,580
Building improvements	688,583	31,733		720,316
Equipment and fixtures	236,138	66,798		302,936
Vehicles	29,385	21,717		51,102
Total capital assets	8,034,686	120,248	-	8,154,934
Less accumulated depreciation:				
Buildings	2,210,517	232,686		2,443,203
Building improvements	127,600	39,551		167,151
Equipment and fixtures	118,187	52,118		170,305
Vehicles	14,694	8,049		22,743
Total accumulated depreciation	2,470,998	332,404	-	2,803,402
Net capital assets	$5,563,688	$(212,156)	$ -	$5,351,532

5. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

All conservatory employees are required to participate in the statewide Ohio Public Employees Retirement System ("OPERS"). The plan is a cost sharing, multiple employer defined benefit pension plan. 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 per Chapter 145 of the Ohio Revised Code. In 2003, the employer was required to contribute 13.55% of active member payroll. For full-time employees, the portion of an employee's contribution is equal to 8.5% to be picked up (assumed and paid) on behalf of the employee, and in lieu of payment by the employee, by the Conservatory.

Total required employer contributions billed to the Conservatory were approximately $243,000, $229,000 and $237,000 in 2003, 2002 and 2001, respectively, which were equal to the required contributions each year.

OPERS issues a publicly available stand-alone financial report that includes its financial statements and required supplementary information. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6705 or 1-800-222-7377.

Other post-employment benefits for health care costs provided by OPERS are as follows:

OPERS provides postretirement 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 *Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers.* A portion of each contribution to OPERS 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 for state employers was 13.55% of covered payroll; 5.00% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. The portion of the Conservatory's 2003 and 2002 contributions that were used to fund postemployment benefits was $90,000 and $85,000, respectively. The ORC provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2002. An 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 unfunded 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 8.00%. An annual increase of 4.00% 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 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2002, the actuarial value of the Retirement System's net assets available for OPEB was $10 billion. The number of active contributing participants was 364,881. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $18.7 billion and $8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan (the "Choices Plan") in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 to 2002 and continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending Choices type cost cutting measures to all active members and benefit recipients. As of Febrauary 2004, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

6. ACCRUED VACATION AND SICK LEAVE LIABILITY

A summary of changes in the long-term accrued vacation and sick leave follows:

	December 31, 2002	Increases	Decreases	December 31, 2003
Vacation and sick leave	$ 92,942	$ -	$ (7,131)	$ 85,811

7. NOTES PAYABLE

Line of Credit—During 2002, the Conservatory negotiated a revolving credit agreement of $200,000 with a bank. The line bears interest at prime plus 1% and is due monthly when the line has been drawn. These borrowings are collateralized by all assets now owned and those to be acquired. At December 31, 2003 the amount outstanding on the line of credit was $176,000. As of December 31, 2003, the Conservatory was not in compliance with certain debt covenants associated with the line of credit. However, the line of credit was paid back in full as of March 10, 2004.

8. LEASES

The Conservatory is leasing certain equipment under capital and operating leases. Future minimum payments, by year, and in the aggregate, under these leases with initial or remaining terms of one year or more, consisted of the following at December 31, 2003:

2004	$ 354	$ 3,356
Total minimum lease payments		$ 3,356
Less amount representing interest	(4)	
Present value of minimum lease payments under capitalized lease	$ 350	

The interest rate for capital leases ranged from approximately 11.8% to 14.7% at December 31, 2003 and 2002, respectively. The book value of this equipment at December 31, 2003 and 2002 was $3,819 and $7,190, respectively.

In 2003 and 2002, the Conservatory had $8,054 and $9,514, respectively, in operating lease expense.

9. COMMITMENTS AND CONTINGENCIES

Grants—Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Conservatory expects such amounts, if any, to be immaterial.

10. RISK MANAGEMENT

The Conservatory maintains comprehensive insurance coverage with private carriers for real property, building contents, directors and officers' liability insurance and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

In addition, the Conservatory provides medical benefits to most of its employees on a fully insured basis with an independent insurance company. The premium rate is calculated based on claim history and administrative costs.

The Conservatory is part of the state-wide plan for workers' compensation insurance coverage.

There were no changes to the above policies during the current fiscal year. Claims experience over the past three years indicates that there were no instances of losses exceeding insurance coverage.

11. ENDOWMENT FUNDS

In 1996, the Women's Sustaining Board created an Endowment Fund (the "Fund") for the Conservatory at the Columbus Foundation, an Ohio not-for-profit corporation. As of December 31, 2003 and 2002, the Fund had assets, recorded in other non-current assets, with a fair value of $154,688 and $144,791, respectively. The Fund is included in the Conservatory's financial statements.

In July 1999, the Conservatory created Friends of the Conservatory ("Friends"), a separate legal not for profit corporation, in accordance with section 501(c)(3) of the Internal Revenue Code, to support the common good of the general public through the support and assistance of and cooperation with the Conservatory. The Board of Trustees of the Conservatory has reserved the right to suggest to the Committee the manner of distribution of the principal and income of the endowment. As of December 31, 2003 and 2002, Friends had assets with a fair value of $85,083 and $143,249, respectively. Friends is included in the Conservatory's financial statements.

In 2001, Annie's Fund for the Creative Arts created an Endowment Fund for the Conservatory in the form of a collection of Koi (Japanese carp) fish. All donations received for this endowment fund are reserved for the care and support of these fish and their environment. At December 31, 2003 and 2002 the endowment was valued at $36,221 and $31,109, respectively.

In December 2002, the Master Plan Gateway Fund was established for gateway development in Franklin Park. All donations received for this endowment fund will be used to build gateways in Franklin Park. At December 31, 2003 and 2003 the fund was valued at $3,247 and $2,000, respectively.

* * * * * *

ADDITIONAL INFORMATION

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

Board of Trustees
Franklin Park Conservatory Joint Recreation District

We have audited the financial statements of the Franklin Park Conservatory Joint Recreation District (the "Conservatory") as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 23, 2004. 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 Conservatory'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*. However, we noted a immaterial instances of noncompliance that we have reported to management of the Conservatory in a separate letter dated April 23, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Conservatory'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 their 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 noted other matters involving the internal control over financial reporting that we have reported to management of the Conservatory in a separate letter dated April 23, 2004.

This report is intended solely for the information and use of the Conservatory's management, the City of Columbus, and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than those specified parties.

Deloitte + Touche LLP

April 23, 2004

Auditor of State
Betty Montgomery

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FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

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 6, 2004