



**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**



**Mary Taylor, CPA**  
Auditor of State



**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Franklin County Veterans Memorial, Franklin County, Ohio (the Memorial), a component unit of Franklin County, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Memorial's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin County Veterans Memorial, Franklin County, Ohio as of December 31, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, the Memorial has reported an operating deficit for the year ended December 31, 2006 and has reported operating deficits over the past several years. These deficits have been supplemented by contributions from Franklin County, the Primary Government, and therefore, net assets have remained positive. The financial statements do not include any adjustment relating to the amounts and classifications of liabilities that might be necessary if the Memorial is unable to meet its debts as they come due or if these debts require adjustment under the provisions of Chapter Nine of the Federal Bankruptcy Code. Note 14 also describes Management's plans regarding this matter.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2007, on our consideration of the Memorial's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

April 27, 2007

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)**

The discussion and analysis of the Franklin County Veterans Memorial's ("Veterans Memorial") financial performance provides an overall review of Veterans Memorial's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at Veterans Memorial's financial performance as a whole; readers are encouraged to consider information presented here as well as the financial statements to enhance their understanding of Veterans Memorial's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$10,647 from 2005.
- Total operating revenues decreased \$50,772 from 2005.
- Total expenses increased \$53,190 from 2005.
- Received an allocation of \$407,736 from Franklin County Commissioners to restore cash reserves.

**USING THIS FINANCIAL REPORT**

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

**STATEMENT OF NET ASSETS**

This statement reports the Veterans Memorial's net assets, however, in evaluating the overall position of the Veterans Memorial's non-financial information such as changes in the information presented in the section entitled "Narrative of 2006 Operation and Current Issues" will also need to be evaluated.

Following is a summary of Veterans Memorial's net assets for 2006 compared to 2005:

	2006	2005
Current assets	\$ 414,531	\$ 236,610
Capital assets	213,927	254,592
Total assets	628,458	491,202
Current liabilities	458,008	251,178
Long term liabilities	152,112	232,333
Total liabilities	610,120	483,511
Net Assets Invested in Capital Assets	213,927	254,592
Unrestricted Net Assets	(195,589)	(246,901)
Net assets	\$ 18,338	\$ 7,691

In 2006, Net Assets increased by \$10,647, reversing a decline of \$19,767 that occurred in 2005. Worthy of special note is the increase in current assets by \$177,921, caused mainly by increased financing activities at Veterans Memorial.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)  
(Continued)**

**ANALYSIS OF OPERATIONS**

The changes in net assets for the year ended December 31, 2006 and December 31, 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Total Operating Revenues	\$ 1,954,490	\$ 2,005,262
Total Operating Expenses	<u>2,350,508</u>	<u>2,297,318</u>
Operation loss	(396,018)	(292,056)
Non Operating Revenues	1,344	2,289
Non Operating Expenses	<u>2,415</u>	<u>0</u>
(Loss) before contributions	(397,089)	(289,767)
Contributions	<u>407,736</u>	<u>270,000</u>
Change in net assets	10,647	(19,767)
Net assets - beginning of year	<u>7,691</u>	<u>27,458</u>
Net assets - end of year	<u>\$ 18,338</u>	<u>\$ 7,691</u>

Total Operating Revenues in 2006 decreased by 2.5%. Contributing to the decline were the ongoing changes in the entertainment industry business segment (declining ticket sales, new and increasing spending options, etc.). Also, the public exhibit and trade show segment is still in a recovery stage from a downturn in activity from the events of 9/11, specifically evident in the first half of calendar year 2006.

While, the overall financial operations declined during 2006, the last half of the year showed promises of improvement as indicated by the chart below:

	2006 July - Dec	2005 July - Dec.	Results	
			\$ Variance	% Variance
Total Operating Revenue	750,788	726,350	24,438	3.36%
Total Operating Expense	981,691	978,381	3,310	0.34%
Net Income From Operations:	(230,903)	(252,031)	21,128	-8.38%

Total Operating Revenues increased by 3.36% while Total Operating Expenses only increased by 0.34%, which caused Net Loss From Operations to decrease by 8.38% for the period from July 1, 2006 to December 31, 2006, as compared to the same period in 2005. The improvements in the last half of 2006 were caused by the addition of a Marketing Director and the implementation of new marketing plans.

**CAPITAL ASSETS**

The Memorial has \$213,927 invested in capital assets net of depreciation. There were no additions to equipment, furniture and fixtures, and building improvements for fiscal year 2006. Detailed information regarding capital asset activity is included in the notes to the financial statements (Note 5).



**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(UNAUDITED)  
(Continued)**

**OPERATING LEASE**

On July 20, 1981, by Quit Claim Deed, the Board of Trustees of Franklin County Veterans Memorial transferred ownership of all real property to the Franklin County Commissioners. This transfer was completed in order to permit the financing of an expansion to the facility. This lease was amended effective August 1, 1996. Detailed information regarding the lease computation is included in the notes to the financial statements (Note 12).

**IN-KIND CONTRIBUTION**

Office space and other usage of the facility and associated services are provided to Veterans support groups and the Franklin County Veterans Service Commission at no charge. The amount is currently estimated at \$249,069 for the year ended December 31, 2006.

**NARRATIVE OF 2006 OPERATION AND CURRENT ISSUES**

The 2006 business plan included corrective actions and proactive steps designed to support its core mission of delivery of services to Franklin County Veterans and their families, while also allowing the organization to partner with associate businesses in the hospitality industry as an affordable and complimentary exhibit, meeting and entertainment venue to grow the Central Ohio economy. Execution of the plan was performed in an industry environment that only recently exhibited signs of recovery from a prolonged downturn in activity.

The two largest sources of income continued to be the intertwined cost centers of event rentals and parking. Commitments by repeat customers remained strong. An increased emphasis placed on securing new business opportunities showed moderate success despite a severely limited marketing budget. The opportunities exist in a cross-section of markets that is reflective of this multi-functional facility. Essential concert business was contracted that will be reflected in the first quarter of 2007 revenues. Support for needed improvements to meeting rooms was secured that will transform existing space into viable options for large events and as weekday rental opportunities. A commitment of support from the Board of County Commissioners was made to provide an initial \$248,000 to finance improvements to the physical infrastructure of the facility. The Board agreed to entertain a request for consideration by Veterans Memorial to be included as a participant in the development of the County's 5-Year Capital Improvement Plan. Investments were made in telecommunication and technical system upgrades that have contributed to increased efficiency and production. A new Assistant Manager was hired in the last quarter of 2006 and charged with applying efficient business management practices, maximizing existing revenue opportunities and tapping into new income streams. Management did not increase staffing levels and no increases in compensation were authorized.

Despite instituting aggressive cost containment practices, Veterans Memorial was forced to request an infusion of funds through actions of the County Commissioners, including a short term loan of \$50,000.

2006 was a transition year for Veterans Memorial with the second half of the year reflecting the results of initial steps taken to reserve a business operation that had suffered setbacks in recent years resulting from a downturn in various business segments that patronize the facility.

**VETERANS MEMORIAL CONTACT INFORMATION**

Jim Goodenow  
General Manager  
Franklin County Veterans Memorial  
300 West Broad Street  
Columbus, Ohio 43215  
jgoodenow@fcvm.com

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**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

<b>Assets</b>	<b>2006</b>
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 284,159
Receivables:	
Accounts	65,361
Prepaid items	<u>65,011</u>
 Total Current Assets	 414,531
 <i>Noncurrent Assets:</i>	
<i>Capital assets:</i>	
Depreciable capital assets, net	<u>213,927</u>
 <i>Total Noncurrent Assets</i>	 <u>213,927</u>
 <i>Total Assets</i>	 <u>628,458</u>
 <b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	27,044
Accrued Wages	54,779
Intergovernmental Payable	58,870
Compensated Absences Payable	139,071
Short-Term Loan Payable	37,287
Deferred Revenue	<u>140,957</u>
 <i>Total Current Liabilities</i>	 <u>458,008</u>
 <i>Long-Term Liabilities</i>	
Long-Term Loan Payable	50,000
Compensated Absences Payable	<u>102,112</u>
 <i>Total Long-Term Liabilities</i>	 <u>152,112</u>
 <i>Total Liabilities</i>	 <u>610,120</u>
 <b>Net Assets</b>	
Invested in Capital Assets	213,927
Unrestricted	<u>(195,589)</u>
 <i>Total Net Assets</i>	 <u>\$ 18,338</u>

See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>2006</b>
<b>Operating Revenues</b>	
Charges for services	\$ 1,954,490
<i>Total Operating Revenues</i>	<u>1,954,490</u>
<b>Operating Expenses</b>	
Salaries	1,065,126
Fringe benefits	445,100
Purchased services	449,040
Materials and supplies	152,993
Repairs and maintenance	139,285
Depreciation	40,664
Other	58,300
<i>Total Operating Expenses</i>	<u>2,350,508</u>
<i>Operating (Loss)</i>	<u>(396,018)</u>
<b>Non-Operating Revenue</b>	
Interest	<u>1,344</u>
<i>Total Non-Operating Revenue</i>	<u>1,344</u>
<b>Non-Operating Expenses</b>	
Interest	<u>2,415</u>
<i>Total Non-Operating Expenses</i>	<u>2,415</u>
<i>Loss before Contributions</i>	(397,089)
Contributions	<u>407,736</u>
<i>Change in Net Assets</i>	10,647
<i>Net Assets Beginning of Year</i>	<u>7,691</u>
<i>Net Assets End of Year</i>	<u><u>\$ 18,338</u></u>

See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2006</b>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 1,939,248
Cash Payments to Employees for Services	(1,054,930)
Cash Payments to Employee Benefits	(437,033)
Cash Payments for Goods and Services	<u>(794,217)</u>
<i>Net Cash Used by Operating Activities</i>	<u>(346,932)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
Cash Received from Short-Term Loan	102,947
Principal Paid on Short-Term Loan	(65,660)
Interest Paid on Short-Term Loan	(2,415)
Loan Received from Primary Government	50,000
Contribution Received from Primary Government	<u>407,736</u>
<i>Net Cash Provided by Non-Capital Financing Activities</i>	<u>492,608</u>
<b>Cash Flows from Investing Activities</b>	
Interest Received from Investments	<u>1,344</u>
<i>Net Cash Provided by Investing Activities</i>	<u>1,344</u>
<i>Net Increase in Cash and Cash Equivalents</i>	147,020
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>137,139</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 284,159</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>	
Operating loss	\$ (396,018)
Adjustments:	
Depreciation	40,664
(Increase) decrease in assets:	
Accounts receivable	(25,957)
Prepaid items	(4,941)
Increase (decrease) in liabilities:	
Accounts payable	(3,119)
Accrued wages	19,734
Compensated absences payable	8,849
Deferred revenue	10,715
Intergovernmental payable	<u>3,141</u>
<i>Net Cash Used by Operating Activities</i>	<u><u>\$ (346,932)</u></u>
<b>Non Cash Items:</b>	
In Kind Contributions of \$249,069, for the value of space provided to the Veterans Service Commission	

See accompanying notes to the basic financial statements.

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**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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

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

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

The Memorial is a discretely presented component unit of Franklin County ("the County"), the primary government, in which they are fiscally dependent; however, the County does not control the day to day operations of the Memorial. The Memorial is owned by the County whereby the Board of Trustees leases it under an agreement that extends until 2013. Under the agreement, the Memorial pays the County rent equal to the Memorial's annual net income from operations plus all reserves in excess of \$250,000. In the past three years (2006, 2005 and 2004), there has been no rent paid to the County whereby imposing a financial burden on the County (see Note 12).

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

Component units are legally separate organizations for which the Memorial is financially accountable. The Memorial is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Based upon the application of these criteria, the Memorial has no component units. The Memorial is a component unit of Franklin County.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Basis of Presentation

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

The Memorial uses enterprise accounting to maintain its financial records during the year. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

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

Basis of Presentation (continued)

Enterprise accounting is used to account for any activity for which a fee is charged to external users for goods or services.

Measurement Focus

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Memorial's financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when they are incurred. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Memorial receives value without directly giving equal value in return, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted.

Cash and Cash Equivalents

All monies received by the Memorial are maintained in a demand deposit account.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method



**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

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

over useful lives ranging from five to twenty-five years. A reconciliation of beginning and ending net balances is included in Note 5.

The Memorial does not have a policy to capitalize net interest on enterprise fund construction projects. Any applicable capitalized net interest would be reported on the primary governments' financial statements.

Compensated Absences

The Memorial reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences" as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The entire compensated absence liability is reported on the statement of net assets.

Accrued Liabilities and Long-term Obligations

All payables and other accrued liabilities are reported on the statement of net assets.

Net Assets

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

There are no restricted net assets externally imposed

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from Enterprise activity. For the Memorial, these revenues are charges for services including bookings, parking lot, commissions, rentals, decorating, internet, and electric revenues. Operating expenses are necessary costs incurred to provide the good or service from Enterprise activity.

Contributions

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

The Memorial received a \$407,736 contribution from Franklin County.

Loan From Primary Government

Franklin County, the Primary Government loaned money to Veterans Memorial to help their cash balance when needed. This loan was authorized by the County Commissioners and is expected to be repaid in 2008.

The Memorial received \$50,000 in loans from Franklin County. A description of loans payable is in Note 11.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

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

Contributions of Capital

Contributions of capital arise from outside contributions of capital assets or from outside contributions of resources restricted to capital acquisition and construction. The Memorial did not have any contributions of capital during 2006.

Estimates

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**3. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Memorial into three categories.

Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the Memorial treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

The investment and deposit of the Memorial's monies is governed by the provisions of the ORC. In accordance with these statutes, the Memorial 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 agreement secured by United States obligations; and STAROhio. At December 31, 2006, the Memorial only had deposits with financial institutions.

*Custodial Credit Risk* - is the risk that in the even of bank failure, the Memorial's deposits may not be returned. 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 5 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 Memorial's name. The Memorial complied with the provisions of these statutes.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

At year-end, the carrying amount of the Memorial's deposits was \$282,959, exclusive of \$1,200 in cash on hand. The bank balances was \$287,164 of which \$100,000 was covered by FDIC insurance and \$187,164 was uninsured. Of the uninsured balance, 100% is collateralized with securities that are part of the bank's pooled collateral.

**4. ACCOUNTS RECEIVABLE**

Receivables at December 31, 2006 consisted of billings for user charged services and are shown at their net realizable value. Management believes all receivables are fully collectible; however, any uncollectible amounts are charged to operations during the period in which they are determined to be uncollectible. There was no Bad Debt Expense during the year ending December 31, 2006.

**5. CAPITAL ASSETS**

Reconciliation of beginning and ending balances for the year ended December 31, 2006

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Leasehold Improvements			
Buildings	\$ 766,549	\$ 0	\$ 766,549
Leasehold Improvements			
North Hall	20,157	0	20,157
Equipment	1,595,394	0	1,595,394
Vehicles	29,619	0	29,619
Furniture and Fixtures	297,659	0	297,659
Cafeteria Equipment	<u>340,497</u>	<u>0</u>	<u>340,497</u>
Subtotal	3,049,875	0	3,049,875
Less: Accumulated Depreciation	<u>(2,795,284)</u>	<u>(40,664)</u>	<u>(2,835,948)</u>
Net Capital Assets	<u>\$ 254,591</u>	<u>\$ (40,664)</u>	<u>\$ 213,927</u>

**6. RISK MANAGEMENT**

The Memorial is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2006, the Memorial along with the County Commissioners contracted with its agent Defusco & Associates for blanket building and its contents. All other coverages were not combined with the County Commissioners. Settlements did not exceed coverage for each of the last three years. Coverage provided by Defusco & Associates are as follows:

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Coverage	Replacement Value	Deductible
Building and its contents	\$38,460,000	\$5,000
Terrorism limit	Included above	Included above
Business income and extra Expense	1,000,000	24 hours*
Automobile	1,000,000	Deductible varies
Crime (employee, forgery, money inside and outside, and non-compensated Employees)	50,000	500
Boiler and machinery	5,000,000	1,000 – 2,500
Other boiler coverage	25,000 – 1,250,000	24 hours *
General liability	1,000,000 – 2,000,000	No deductible
Umbrella	15,000,000	No deductible

\* Policy holder incurs losses for the first 24 hours

The Memorial purchases health, dental and vision coverage for full-time employees through the Franklin County Cooperative Health Benefits Program. The Memorial is billed by Franklin County on a monthly basis for the cost of health insurance.

**7. DEFERRED COMPENSATION PLAN**

As of December 31, 2006 various employees of the Memorial had elected to participate in the deferred compensation plan offered by the Memorial and administered by the Ohio Public Employees Deferred Compensation Board. This deferred compensation plan is a defined contribution program under Section 457 of the Internal Revenue Code. All assets and income of the plan must be held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, the assets and liabilities of the plan are not reflected in the financial statements of the Memorial.

**8. PENSION PLAN**

The Memorial participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**8. PENSION PLAN (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Memorial's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Memorial's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$265,574, \$247,055 and \$270,439 respectively; 93.4 percent has been contributed for 2006 and 100 percent for 2005 and 2004. The remaining amount due of \$18,558 was paid in January 2007 and was reflected as a December 31, 2006 payable.

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

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$51,929. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**10. COMPENSATED ABSENCES**

Franklin County Veterans Memorial employees earn vacation leave at various rates ranging from two to five weeks per year based upon years of service. Sick leave is accumulated at the rate of three weeks per year. Vacation pay is vested after one year and sick pay is generally vested after eight years of service. Vested vacation and sick leave are recorded as expense when earned. The liability below represents amounts as of December 31, 2006 that was due to employees upon retirement or termination of their employment. Of this amount, \$139,071 is expected to be paid within one year.

Changes in Long-Term Liabilities for the year ended December 31, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within 1-Year
Compensated Absences	\$ 232,333	\$47,763	\$ (38,913)	\$ 241,183	\$ 139,071

**11. LOANS PAYABLE**

On March 13, 2006, Franklin County, the Primary Government, provided a loan to Veterans Memorial for the purpose of improving the cash balances of the Memorial so that the payroll expenditures could be paid. This loan is interest free and is to be repaid by Veterans Memorial in 2008. The amount of the loan due in one year is \$0 and the amount due in 2008 is \$50,000.

On August 25, 2006, Veterans Memorial entered into an agreement with Premium Financing Specialists in order to finance annual insurance premiums. The original loan amount was \$102,947, and Veterans Memorial paid \$20,590 down.

Loan	Interest	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within 1-Year
Primary Gov't Loan	0%	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ -
Insurance Financing Loan	8.99%	-	102,947	(65,660)	37,287	37,287
<b>Total</b>		\$ -	\$ 152,947	\$ (65,660)	\$ 87,287	\$ 37,287

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**12. OPERATING LEASE**

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

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

There was no amount due for 2006. The computation is as follows:

	<u>2006</u>
Specifically identified assets in excess of liabilities	\$ (195,589)
Reserve amount to be retained	<u>(250,000)</u>
Reserve fund deficit	\$ <u><u>(445,589)</u></u>

**13. CONCENTRATIONS**

Franklin County Veterans Memorial receives the majority of its revenues from Booking and Parking Lot revenues from events in the Columbus, Ohio area. Although not anticipated, a significant decrease in either of these revenue types could adversely effect the financial position and operations of the facility. In 2006, these two items constituted 63% of operating revenues.

**14. MANAGEMENT PLAN**

For fiscal year 2006, the Memorial had an operating loss of (\$396,018). This loss was supplemented by a contribution by Franklin County, the Primary Government, in the amount of \$407,736 to bring the ending net assets of the Memorial to \$18,338. Through March 31, 2007, the Memorial has reported net income of \$39,391 and a net asset amount of \$ 57,720 on its unaudited monthly financial statement. The March 31, 2007 financial statement was the most recent statement available as of the report date.

In order to reduce contributions required of the County to support the Veterans community and strive to operate without a deficit, management has adopted an aggressive business plan that includes a component designed to address what was a previously understated marketing effort. Other elements of the plan include the incorporation of accepted, professional practices and attempts to maximize existing revenue streams (parking, reimbursable charge backs, upscale of catering services, etc.) and identifying new income opportunities (equipment rental charges, advertising/sponsorship possibilities, lease of space opportunities, etc.).

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# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of Franklin County Veterans Memorial, Franklin County, Ohio (the Memorial) a component unit of Franklin County, as of and for the year ended December 31, 2006, and have issued our report thereon dated April 27, 2007; wherein we noted the Memorial was experiencing certain financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Memorial's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Memorial's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Memorial's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Memorial's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Memorial's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Memorial's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Memorial's management in a separate letter dated April 27, 2007

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Memorial's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The Memorial's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Memorial's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 27, 2007

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS**

**Review of Basic Financial Statements**

The Memorial contracts with an outside accounting firm for financial statement preparation and currently have effective monitoring controls over daily transactions entered into the system. However, for the annual financial report produced by the accounting firm, the Memorial did not have adequate monitoring controls established to detect errors and omissions in the financial statements or notes to the financial statements. Although the accounting firm creates the annual report, management is responsible for the presentation of the basic financial statements and accordingly should implement controls to provide assurance that the financial statements generated by the system for presentation within the annual report are accurate and meet all applicable reporting standards. Further, the notes to the basic financial statements and the management's discussion and analysis should also be reviewed to determine all required disclosures have been properly included and the information discussed within management's discussion and analysis agrees to the financial information presented within the financial statements.

Due to the lack of monitoring controls over the annual financial report, adjustments and modifications were necessary to the financial statements and notes to the financial statements that should have been identified by management prior to submission to the auditors.

We recommend the Memorial establish monitoring controls, such as, reviewing financial statements and notes to the financial statements for obvious errors and omissions and meeting with the accounting firm to discuss any questions about the financial statements and notes to the financial statements produced by the firm.

**Officials' Response:**

Changes in the audit process occurred from the adoption of SAS 112 that amended requirements to communicate certain matters related to an entity's internal control over financial reporting identified in a financial statement audit. In response to the modified process and resulting observations, the Board of Trustees will implement controls to provide assurance that the financial statements generated for presentation within the annual report are accurate and meet all applicable reporting standards. The controls include, but are not limited to, the following measures:

- A monthly review with the external accounting firm responsible for preparation of financial statements
- An annual review with the external accounting firm of the financial statements and notes to the financial statements to identify any obvious errors and omissions
- A presentation of current financial statements by the external accounting firm at all regularly scheduled Board meetings

Discussion of the audit and any actions requiring formal action by the Board of Trustees will be reflected in Board meeting minutes.

FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Finding for Recovery for overpayment to vendor	Yes	Fully Corrected



Mary Taylor, CPA  
Auditor of State

**FRANKLIN COUNTY VETERANS MEMORIAL**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 28, 2007**