

FRANKLIN PARK CONSERVATORY

General Purpose Financial Statements

December 31, 2000

(With Independent Auditors' Report Thereon)



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Directors
Franklin Park Conservatory

We have reviewed the independent auditor's report of the Franklin Park Conservatory, Franklin County, prepared by KPMG LLP, for the audit period January 1, 2000 through December 31, 2000. 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 is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

May 21, 2001

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FRANKLIN PARK CONSERVATORY

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Independent Auditors' Report

Board of Directors
Franklin Park Conservatory:

We have audited the accompanying general purpose financial statements of the Franklin Park Conservatory Joint Recreation District (the Conservatory) as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the Conservatory's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Conservatory as of December 31, 2000, and the results of its operations and cash flows for its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2001 on our consideration of the Conservatory's internal control over financial reporting and on 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.

KPMG LLP

March 19, 2001

FRANKLIN PARK CONSERVATORY

Combined Balance Sheet
All Fund Types and Account Groups

December 31, 2000

	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)
			General fixed assets	General long-term obligations	
	General	Enterprise			2000
Assets and other debits:					
Cash and investments (note 3)	\$ 426,579	77,626	-	-	504,205
Receivables	25,486	-	-	-	25,486
Prepays	4,189	-	-	-	4,189
Inventory	-	45,334	-	-	45,334
Other current assets	-	240	-	-	240
Due from other funds	41,313	-	-	-	41,313
Property, plant and equipment (note 4)	-	4,763	7,878,374	-	7,883,137
Amount to be provided for retirement of general long-term obligations	-	-	-	79,773	79,773
Total assets and other debits	\$ 497,567	127,963	7,878,374	79,773	8,583,677
Liabilities:					
Accounts payable	\$ 203,402	3,139	-	-	206,541
Deferred revenue	8,932	-	-	-	8,932
Customer deposits	91,921	-	-	-	91,921
Due to other:					
Funds	-	41,313	-	-	41,313
Governments	12,183	1,293	-	-	13,476
Capital lease obligations (note 7)	-	-	-	7,036	7,036
Accrued payroll	53,351	8,645	-	-	61,996
Accrued vacation and sick leave	16,021	-	-	72,737	88,758
Total liabilities	385,810	54,390	-	79,773	519,973
Equity and other credits:					
Investment in general fixed assets	-	-	7,878,374	-	7,878,374
Contributed Capital	-	59,968	-	-	59,968
Retained Earnings	-	13,605	-	-	13,605
Fund balance:					
Reserved for endowment	90,000	-	-	-	90,000
Unreserved	21,757	-	-	-	21,757
Total fund balance	111,757	-	-	-	111,757
Total equity and other credits	111,757	73,573	7,878,374	-	8,063,704
Total liabilities, equity and other credits	\$ 497,567	127,963	7,878,374	79,773	8,583,677

See accompanying notes to the general purpose financial statements.

FRANKLIN PARK CONSERVATORY

Statement of Revenues, Expenditures and Change
In Fund Balance – General Fund

Year ended December 31, 2000

	2000
Revenues:	
Intergovernmental:	
City	\$ 1,122,542
County	400,000
Charges for services	916,538
Donations and grants	830,119
Investment income	35,334
Other	63,581
Total revenues	3,368,114
Expenditures:	
Current:	
Horticulture/Engineering department	533,482
Administrative	993,412
Facilities management department	756,292
Development department	456,185
Special events department	341,122
Education department	247,567
Capital outlay	105,282
Debt service:	
Principal retirement	8,136
Interest charges	1,400
Total expenditures	3,442,878
Excess of expenditures over revenues	(74,764)
Fund balance at beginning of year	186,521
Fund balance at end of year	\$ 111,757

See accompanying notes to the general purpose financial statements.

FRANKLIN PARK CONSERVATORY

Statement of Revenues, Expenditures and Change in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund

Year ended December 31, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
City of Columbus	\$ 1,125,000	1,122,542	(2,458)
Franklin County	400,000	400,000	–
General admissions	323,000	312,182	(10,818)
Concession contracts	78,000	88,776	10,776
Development	565,000	564,510	(490)
Memberships	179,000	145,597	(33,403)
Education	50,000	44,368	(5,632)
Grants	69,000	69,000	–
Horticulture	30,000	34,725	4,725
Special events	345,000	325,615	(19,385)
Vending machines	9,000	8,785	(215)
Interest income	37,000	35,334	(1,666)
Gift Shop	100,000	67,766	(32,234)
Other income	1,000	1,105	105
	<u>3,311,000</u>	<u>3,220,305</u>	<u>(90,695)</u>
Total revenues			
Expenditures:			
Administrative expenses	65,800	70,993	(5,193)
Contract services	79,200	89,044	(9,844)
Development department	158,100	250,120	(92,020)
Education department	70,800	91,541	(20,741)
Facilities management	107,700	119,557	(11,857)
Grant expense	72,500	102,453	(29,953)
Horticulture/Engineering	191,100	196,039	(4,939)
Insurance	47,800	42,720	5,080
Personnel	1,968,000	1,850,144	117,856
Special events department	239,000	266,762	(27,762)
Utilities	181,900	219,642	(37,742)
Contingency	19,000	21,133	(2,133)
Gift Shop	7,400	12,848	(5,448)
Capital expenditures	102,700	105,282	(2,582)
	<u>3,311,000</u>	<u>3,438,278</u>	<u>(127,278)</u>
Total expenditures			
Excess of revenues over expenditures	–	(217,973)	(217,973)
Fund balance at beginning of year	–	343,335	343,335
Fund balance at end of year	\$ <u>–</u>	<u>125,362</u>	<u>125,362</u>

See accompanying independent auditors' report.

FRANKLIN PARK CONSERVATORY

Statement of Revenues, Expenses and Change
In Retained Earnings – Enterprise Fund

Year ended December 31, 2000

	<u>2000</u>
Operating revenues:	
Charges for sales and services	\$ <u>67,766</u>
Total operating revenues	<u>67,766</u>
Operating expenses:	
Due to other Funds	41,313
Cost of Sales and Services	<u>12,848</u>
Total operating expenses	<u>54,161</u>
Net Income	13,605
Retained earnings at beginning of year	<u>–</u>
Retained earnings at end of year	\$ <u><u>13,605</u></u>

See accompanying notes to the general purpose financial statements.

FRANKLIN PARK CONSERVATORY

Statement of Cash Flows

Year ended December 31, 2000

	<u>2000</u>
Cash flows from operating activities:	
Operating income before nonoperating revenues/expenses	\$ 13,605
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in operating assets and liabilities which increase (decrease) cash provided by operating activities:	
Accounts receivable	
Inventory	(5,598)
Prepaid expenses and other assets	376
Accounts payable	4,382
Accrued liabilities and other	4,893
Net cash used in operating activities	<u>17,658</u>
Cash flows from noncapital financing activities:	
Proceeds from:	
Donations	59,968
Net cash provided by noncapital financing activities	<u>59,968</u>
Net increase (decrease) in cash and cash equivalents	77,626
Cash and investments at beginning of year	<u>—</u>
Cash and investments at end of year	\$ <u><u>77,626</u></u>

See accompanying notes to the general purpose financial statements.

FRANKLIN PARK CONSERVATORY

Notes to the General Purpose Financial Statements

Year ended December 31, 2000

(1) Reporting Entity

The City of Columbus (City) and Franklin County (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. 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 general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the general purpose 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 a 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.

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 2000, the subsidies totaled \$1,522,542; 45% of the Conservatory's revenue and support. In event of the Conservatory's liquidation, its assets will be transferred to the City. Based on above, the Conservatory is a joint venture between the City and the County.

FRANKLIN PARK CONSERVATORY

Notes to the General Purpose Financial Statements

Year ended December 31, 2000

(2) Summary of Significant Accounting Policies

The general purpose 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.

(a) Basis of Presentation - Fund Accounting

The accounts of the Conservatory are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The various funds are summarized by type in the general purpose financial statements. The Conservatory uses the following fund types and account groups:

- **GOVERNMENTAL FUNDS**

General Fund—The General Fund is the general operating fund of the Conservatory. It is used to account for all financial resources except those required to be accounted for in another fund or account group.

- **ACCOUNT GROUPS**

General Fixed Assets Account Group—This group of accounts is established to account for all fixed assets of the Conservatory.

General Long-Term Obligations Account Group—This group of accounts is established to account for all long-term obligations of the Conservatory.

- **PROPRIETARY FUNDS**

Proprietary funds are used to account for the Conservatory's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the Conservatory's proprietary fund type:

Enterprise Fund—Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or

FRANKLIN PARK CONSERVATORY

Notes to the General Purpose Financial Statements

Year ended December 31, 2000

other purposes. Currently, the Conservatory has only one enterprise fund which accounts for the operation of the gift shop. The enterprise fund's contributed capital represents equity acquired from the donation of funds of the gift shop.

(b) Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets.

The modified accrual basis of accounting is followed for the General Fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter (i.e. 60 days after year-end) to be used to pay liabilities of the current period. Revenue accrued at the end of the year includes grants and charges for services.

Expenditures are recognized in the period in which the fund liability is incurred except for the costs of accumulated unpaid vacation and sick leave which are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary fund is accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

(c) Budgetary Data

The Conservatory's budgetary basis of accounting is maintained on a cash basis, which differs from GAAP. State statute does not require a specific budgetary basis of accounting under ORC 755.14 (B).

The budgetary process begins in July of each year. The executive director and the department directors meet and estimate total revenue for the year based on history, projected changes, and market trends within the Conservatory's industry. Fixed costs (i.e. utilities, payroll, etc.) are subtracted from the estimated revenue and the remaining balance is allocated to each department based on needs discussed in the directors' meeting. Each director prepares a discussion to justify his or her allocation. The budget is presented to the Finance Committee and then the entire Board for approval. The Board can amend the budget subsequent to adoption.

FRANKLIN PARK CONSERVATORY

Notes to the General Purpose Financial Statements

Year ended December 31, 2000

Several line item expenditures exceeded budgeted appropriations for the year ended December 31, 2000.

Administrative expenses (\$5,193)	Development department (\$92,020)
Education department (\$20,741)	Facilities management (\$11,857)
Grant expense (\$29,953)	Horticulture/Engineering (\$4,939)
Special events department (\$27,762)	Contingency (\$2,133)
Capital expenditures (\$2,582)	Contract Services (\$9,844)
Utilities (\$37,742)	Gift Shop (\$5,448)

(d) 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 defined by the Statement.

(e) Inventory

Inventories are valued at cost using the first-in, first-out method. The cost of inventory items are recognized as expenditures in the proprietary funds when consumed.

(f) Fixed Assets and Depreciation

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and deletions during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the General Fixed Assets Account Group. The Conservatory does not possess any infrastructure.

Proprietary fund fixed assets are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated equipment is recorded at its fair market value as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the estimated useful lives ranging from 5 to 20 years for equipment. Depreciation on assets acquired through contributions is charged to contributed capital. For 2000, there were no capitalized interest costs incurred in proprietary funds.

(g) Compensated Absences

The Conservatory follows GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued for sick leave if it is probable that the employee will be compensated through cash payment.

(h) Long-Term Obligations

Capital leases are recognized as a liability in the general fund when due. For vacation, only the portion expected to be financed from expendable available financial resources is reported as a

FRANKLIN PARK CONSERVATORY

Notes to the General Purpose Financial Statements

Year ended December 31, 2000

fund liability of the general fund. The remaining portion of capital leases and vacation are reported in the General Long-Term Obligation Account Group.

(i) *Proprietary Funds*

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 guidance as applicable to proprietary funds, and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB Pronouncements.

(j) *Memorandum Only—Total Column*

Total column on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with GAAP. Such data is not comparable to a consolidation because interfund eliminations have not been made.

(k) *Statement of Cash Flows*

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents. In addition, all cash and investments of the proprietary funds, are also considered to be cash equivalents because they are available on demand.

(3) *Cash and Investments*

(a) *Cash and Cash Equivalents*

The investments and deposits 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. Earnings and realized gains/losses on investments are credited to various funds at the discretion of the Board which is in compliance with ORC Section 3315.01.

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, 2000.

FRANKLIN PARK CONSERVATORY

Notes to the General Purpose Financial Statements

Year ended December 31, 2000

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 110% 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 Conservatory's name.

(b) Deposits with financial institutions

At year-end, the Conservatory's carrying amount of all deposits was \$237,256 and the total bank balance was \$203,084, \$182,695 of which was insured by the FDIC and \$54,561 was uncollateralized as defined by GASB. These uncollateralized deposits were, however, covered by a pledged collateral pool, as discussed above.

(c) Investments

The Conservatory's entire investment balance of \$110,134 is invested in STAROhio and is not required to be categorized due to its nature.

Friends of the Conservatory

At year-end, the Friends of the Conservatory's carrying amount of all deposits was \$19,758. The total bank balance was \$19,758, \$19,758 was insured by the FDIC.

Friends of the Conservatory 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			Fair Value
	1	2	3	
U.S Treasury and Agency	\$ —	54,260	—	\$ 54,260
Money Market & Mutual Funds		82,797		82,797
Total Investments				\$ 137,057

FRANKLIN PARK CONSERVATORY

Notes to the General Purpose Financial Statements

Year ended December 31, 2000

(4) Property, Plant and Equipment

A summary of the changes in the General Fixed Asset Account Group for the fiscal year follows:

	Balance December 31, 1999	Additions	Disposals/ deletions	Balance December 31, 2000
Land	\$ 100,000	—	—	100,000
Buildings	6,980,580	—	—	6,980,580
Improvements other than buildings	556,119	35,476	—	591,595
Equipment and fixtures	92,630	84,184	—	176,814
Vehicles	29,385	—	—	29,385
	<u>\$ 7,758,714</u>	<u>119,660</u>	<u>—</u>	<u>7,878,374</u>

A summary of the proprietary fund property, plant and equipment at December 31, 2000 follows:

Furniture and equipment	\$ 29,783
Less accumulated depreciation	<u>(25,020)</u>
Net Property, plant and equipment	\$ <u>4,763</u>

(5) Defined Benefit Pension Plan

(a) Plan Description

The Conservatory contributes to the Public Employees Retirement System of Ohio (PERS), a cost sharing, multiple-employer public employee retirement system. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. PERS issues a publicly available financial report that includes its financial statements and required supplementary information. That report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215 or by calling 614-266-2085 or 1-800-222-7377.

(b) Funding Policy

Plan members are required to contribute 8.5% of their annual covered salary and the Conservatory is required to contribute an actuarially determined rate. The current rate is 13.55% of annual covered payroll. The contribution requirements of plan members and the Conservatory are established and may be amended by PERS Board of Trustees. The Conservatory's contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were approximately \$169,900, \$159,000, and \$134,000. Required employer contributions are equal to 100% of the dollar amount billed to the employer.

FRANKLIN PARK CONSERVATORY

Notes to the General Purpose Financial Statements

Year ended December 31, 2000

The Retirement Board instituted a temporary employer rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. For local government employer units, the rate was 10.84% of covered payroll.

(c) *Other Postemployment Benefits*

PERS also provides postemployment health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. As required by state statute, a portion of each employer's contribution to PERS is set aside for the funding of the post retirement health care. The employer contribution rate was rolled back for the year 2000. For local government employer units, the rate was 10.84% of covered payroll; 4.3% was the portion that was used to fund health care for the year 2000. The Conservatory's contributions actually made to fund postemployment benefits were approximately \$7,305 in 2000. Employer contributions are advance-funded on an actuarially determined basis and are determined by state statute. The number of active contributing participants was 401,339. \$10,805.5 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 1999. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

The Retirement Board initiated significant policy changes during 2000. The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to roll back rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.2% to 4.3% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

Other postemployment benefits (OPEB) are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

FRANKLIN PARK CONSERVATORY

Notes to the General Purpose Financial Statements

Year ended December 31, 2000

(6) General Long-Term Obligation Account Group

A summary of changes in the general long-term obligation account group follows:

	<u>Balance December 31, 1999</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance December 31, 2000</u>
Vacation and sick leave	\$ 52,306	20,431	—	72,737
Capital lease obligations	<u>15,172</u>	<u>—</u>	<u>8,136</u>	<u>7,036</u>
	<u>\$ 67,478</u>	<u>20,431</u>	<u>8,136</u>	<u>79,773</u>

Additions and reductions of vacation and sick leave are shown net, since it is impractical for the Conservatory to determine these separately.

(7) Capital Leases

The Conservatory is leasing certain equipment under capital 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, 2000:

	<u>Capital leases</u>
2001	7,027
2002	<u>436</u>
Total minimum lease payments	7,463
Less: amount representing interest	<u>(427)</u>
Present value of minimum lease payments under capitalized lease	\$ <u>7,036</u>

The interest rate for capital leases was approximately (ranging from 12.9% - 11.8%) at December 31, 2000. The net book value of this equipment at December 31, 2000 was \$20,724.

(8) 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.

FRANKLIN PARK CONSERVATORY

Notes to the General Purpose Financial Statements

Year ended December 31, 2000

(9) Litigation

The Conservatory is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, it is the opinion of the Conservatory's management that resolution of this matter will not have a material adverse effect on the financial condition of the Conservatory.

(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 December 1998, the Women's Sustaining Board created a new endowment fund for the Conservatory. As of December 31, 2000, this endowment fund had assets with a fair value of \$90,000 and is recorded as "Cash and Investments" and as a reservation in fund balance on the combined balance sheet.

Additionally, 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. The Fund is controlled by the Governing Committee of the Columbus Foundation (the Committee). 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 Fund. As of December 31, 2000, the Fund had assets with a fair value of \$143,517. The Fund is not included in the Conservatory's financial statements.

FRANKLIN PARK CONSERVATORY

Notes to the General Purpose Financial Statements

Year ended December 31, 2000

(12) Budget Basis of Accounting

The adjustments necessary to convert the results of operations and fund balances at the end of year on the GAAP basis to the budget basis are as follows:

Excess (deficiency) of revenues and
other financing sources over expenditures
and other financing uses

	<u>General</u>
GAAP basis	(\$74,764)
Increase (decrease):	
Revenue accrual(including Gift Shop)	(147,809)
Expenditure accruals (including Gift Shop)	<u>4,600</u>
Budget basis	<u><u>(\$217,973)</u></u>



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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 Directors
Franklin Park Conservatory:

and

The Honorable Jim Petro
Auditor of State

We have audited the financial statements of the Franklin Park Conservatory Joint Recreation District (the Conservatory) as of and for the year ended December 31, 2000, and have issued our report thereon dated March 19, 2001. 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 matter involving compliance that we have reported to management of the Conservatory in a separate letter dated March 19, 2001.

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 March 19, 2001.

This report is intended for the information 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.

KPMG LLP

March 19, 2001



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OFFICE OF THE AUDITOR

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FRANKLIN PARK CONSERVATORY

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
MAY 29, 2001**