

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

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**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2002**

**With Independent Auditors' Report**

**And Additional Information**

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**PARMS & COMPANY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Auditor of State  
Betty Montgomery**

Members of the Capitol Square Review and Advisory Board

We have reviewed the Independent Auditor's Report of the Capitol Square Review and Advisory Board, Franklin County, prepared by Parns & Company, LLC for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

March 14, 2003

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

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INDEPENDENT AUDITORS' REPORT

Honorable Jim Petro  
Auditor of State of Ohio and  
The Capitol Square Review and  
Advisory Board  
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Capitol Square Review and Advisory Board (the Board), an independently audited organization that is part of the primary government of the State of Ohio, as of and for the year ended June 30, 2002. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of Capitol Square Review and Advisory Board are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Ohio that is attributable to the transactions of Capitol Square Review and Advisory Board. They do not purport to, and do not, present fairly the financial position of the State of Ohio as of June 30, 2002, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, as described in Note 1 to the basic financial statements, the Board adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Capitol Square Review and Advisory Board of the State of Ohio as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 7 and the Budgetary Comparison Schedule-General and Special Revenue Funds on page 29 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 11, 2002, on our consideration of the Capitol Square Review Advisory Board' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Parms & Company, LLC**

September 11, 2002

## **CAPITOL SQUARE REVIEW AND ADVISORY BOARD**

### **Management's Discussion and Analysis**

**For the Year Ended June 30, 2002**

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The discussion and analysis of Capitol Square Review and Advisory Board's financial performance provides an overall review of the Board's financial activities for the year ended June 30, 2002. The intent of the discussion and analysis is to look at the Board's financial performance as a whole; readers should also review the transmittal letter, and the basic financial statements to enhance their understanding of the Board's financial performance.

#### **Financial Highlights**

Key financial highlights for FY2002 are as follows:

- ! Our FY2002 General Revenue budget per House Bill #0094 was \$3,696,546 and was then reduced twice during the year; once per Executive Order #304 by \$55,448 and again per Executive Order #401 by \$218,466.
- ! The one Capital Project we have in progress is CAP-011 the Statehouse Security update which is funded at \$955,420 with a FY2002 outlay of \$518,655 and the completion of the \$466,195 CAP-007 Parking Garage Elevator Upgrade in September 2001
- ! The Parking Garage again exceeded \$2.6 million in operating revenues but was down slightly (\$16,000) from the previous year. This left a cash balance of \$2,173,364 at year-end.
- ! Special Events (Fund 4S7) showed a 1.9% increase in revenues to \$162,618.
- ! The Statehouse Museum Shop (Fund 4S7) achieved a 13.5% increase in revenues translating to a store record of \$395,426.
- ! As of January 1, 2002 (Fund 4T2) the Government Television/Telecommunications Operating account ceased to be a part of Capitol Square Review and Advisory Board. This cash account was transferred along with the staff of the Ohio Government Television to be under the auspices of Ohio Educational Telecommunications.
- ! The Renovation Gift Fund (Fund 4G5), seeded primarily from money raised by the Capitol Square Foundation, was the vehicle through which we opened the George Washington Williams Room in the Statehouse. This room, dedicated to the first African-American Ohio legislator, features a bronze sculpture of the subject valued at \$50,000.

## **CAPITOL SQUARE REVIEW AND ADVISORY BOARD**

Management's Discussion and Analysis

For the Year Ended June 30, 2002

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### **Using this Annual Financial Report**

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

Since this is a transitional year for the new format, only one year of information is presented in the audited financial statements. In future years, a comparative analysis of Capitol Square's financial data will be presented.

Following the MD&A are the basic financial statements of Capitol Square together with notes, which are essential to a full understanding of the data contained in the financial statements. Capitol Square's basic financial statements are designed to provide readers with a broad overview of Capitol Square's finances.

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

### **Reporting Capitol Square as a Whole**

#### Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the board to provide services to the public and our tenants, the view of the Board as a whole looks at all financial transactions and asks the question, "How did we do financially during 2002?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report Capitol Square's net assets and the change in those assets. This change in net assets is important because it tells the reader whether, as a whole, the financial position of the Board has improved or diminished. In the Statement of Net Assets and the Statement of Activities, Capitol Square is divided into two kinds of activities:

## CAPITOL SQUARE REVIEW AND ADVISORY BOARD

Management's Discussion and Analysis

For the Year Ended June 30, 2002

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

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

#### Fund Financial Statements

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

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

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

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

#### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the board, assets exceeded liabilities by \$2,991,325 (\$562,065 in governmental activities and \$2,429,260 in business type activities) as of June 30, 2002. The largest portion of the Board's net assets (62%) reflects its capital asset of the Statehouse Underground Parking Garage.

## CAPITOL SQUARE REVIEW AND ADVISORY BOARD

### Management's Discussion and Analysis

For the Year Ended June 30, 2002

The Board uses this capital asset to earn parking fees from the public for its use. It should be noted that debt paid by the business-type activity is from parking fees, the debt itself is related to the Statehouse restoration project and not to the Statehouse Underground Parking Garage.

	Governmental Activities	Business-Type Activities	Total
Current assets	\$1,407,385	2,911,126	\$4,318,511
Capital assets (net)	-	6,919,177	6,919,177
Total assets	1,407,385	9,830,303	11,237,688
Current liabilities	657,549	1,299,353	1,956,902
Non-current liabilities	187,771	6,101,690	6,289,461
Total liabilities	845,320	7,401,043	8,246,363
Unrestricted net assets	\$562,065	2,429,260	\$2,991,325

As of June 30, 2002, the Board is able to report positive balances in both categories of net assets, both for the Board as a whole, as well as for its separate governmental and business-type activities.

This is the first year the Board is implementing GASB Statement No. 34, Basic Financial Statements B and Management's Discussion and Analysis B for State and Local Governments, therefore comparative data is not available. In future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Charges for services	\$524,247	2,653,996	\$3,178,243
Operating grants and contributions	244,306	42,016	286,322
General Revenues	3,255,403	-	3,255,403
Total Revenues	4,023,956	2,696,012	6,719,968
Expenses	(4,495,162)	(2,601,175)	(7,096,337)
Change in net assets	(471,206)	94,837	(376,369)
Beginning net assets	1,033,271	2,039,496	3,072,767
Prior period adjustments	-	294,927	294,927
Ending net assets	\$562,065	2,429,260	\$2,991,325

## CAPITOL SQUARE REVIEW AND ADVISORY BOARD

Management's Discussion and Analysis

For the Year Ended June 30, 2002

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### *Governmental Activities*

Employee payroll and benefits accounts for \$2.5 million of the \$4.5 total expenses for governmental activities, or 55% of total expenses. Operations costs of the Executive, Buildings & Grounds, Ohio Government Television, and Communications & Education departments is the next largest program within the Board accounting for \$808 thousand which represents 18% of total governmental activities.

The Board charges for products sold from the Statehouse Museum Shop and for permits, rentals, labor and a percentage of catering for Special Events held on Statehouse Square. The Statehouse Museum Shop provides \$385 thousand of the \$524,247 or 73% of charges for services.

### *Business-Type Activities*

The Statehouse Underground Parking Garage increased *its* net assets by \$94,837, which is up \$34,361 from the previous year.

### **Financial Analysis of the Board's Funds**

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

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

As of the end of the current fiscal year, the board's governmental reported combined ending unreserved/undesignated fund balances of \$767,646. This was a reduction of \$264,147 from the previous year. This was primarily due to an increase in accounts payable in the General Fund from \$128,500 to \$263,126 and a decrease in the total cash equity with Treasurer of the Sale of Goods & Services Fund and Other Governmental Funds from \$940,031 to \$855,338.

### **General Fund Budgeting Highlights**

The Board's budget is prepared according to Ohio Revised Code. The most significant budgeted fund is the General Fund. This General Fund budget was reduced by Executive Order of the Governor from the original appropriation of \$3,696,546 to \$3,422,632 during the course of FY 2002.

## **CAPITOL SQUARE REVIEW AND ADVISORY BOARD**

Management's Discussion and Analysis

For the Year Ended June 30, 2002

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### **Capital Assets and Debt Administration**

*Capital Assets:* The Board's investment in capital assets for its business type activity as of June 30, 2002, amounts to \$6,919,177 (net of accumulated depreciation). This investment in capital assets includes parking facility, improvements, construction in progress, and equipment.

Note 2 (Capital Assets and Depreciation) provides capital asset activity during FY 2002.

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

The FY 2002 \$773,141 principle and interest payment was 30% of the total business-type fund expenses.

Other long-term obligations are for compensated absences that are provided in Note 8.

### **Economic Factors and Next Year's Budget and Rates**

The economic downturn has effected our FY 2003 budget adversely. We have had a \$489,387 Executive Order reduction in our general governmental fund and, as a result, have had to layoff four employees, reduce the hours of nine others, and petition for an Early Retirement Initiative for eligible employees.

Due to the economy and the reduction of downtown activities, we anticipate no increase in parking and other fees for FY 2003.

**Capitol Square Review and Advisory Board**  
**Statement of Net Assets**  
**As of June 30, 2002**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash Equity with Treasurer	\$ 855,338	2,184,798	\$ 3,040,136
State Appropriations Receivable	137,250	-	137,250
Collateral on Loan Securities	281,660	683,652	965,312
Interest Receivable	16,719	4,541	21,260
Other Receivables	25,695	38,135	63,830
Inventories	90,723	-	90,723
Total Current Assets	<u>1,407,385</u>	<u>2,911,126</u>	<u>4,318,511</u>
<b>NONCURRENT ASSETS</b>			
Capital Assets, Net	-	6,919,177	6,919,177
Total Assets	<u>1,407,385</u>	<u>9,830,303</u>	<u>11,237,688</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	279,722	48,016	327,738
Workers' Compensation-current	1,994	1,041	3,035
Compensated Absences-current	17,810	12,715	30,525
Accrued Liabilities	76,363	50,941	127,304
Accrued Interest Expense	-	81,385	81,385
Obligations Under Securities Lending	281,660	683,652	965,312
Deferred Revenue	-	5,875	5,875
Bonds Payable-current	-	415,728	415,728
Total Current Liabilities	<u>657,549</u>	<u>1,299,353</u>	<u>1,956,902</u>
<b>NONCURRENT LIABILITIES</b>			
Workers' Compensation-noncurrent	33,264	17,366	50,630
Compensated Absences-noncurrent	154,507	120,484	274,991
Bonds Payable-noncurrent	-	5,963,840	5,963,840
Total Noncurrent Liabilities	<u>187,771</u>	<u>6,101,690</u>	<u>6,289,461</u>
Total Liabilities	<u>845,320</u>	<u>7,401,043</u>	<u>8,246,363</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	-	539,609	539,609
Unrestricted Net Assets	562,065	1,889,651	2,451,716
Total Net Assets	<u>\$ 562,065</u>	<u>2,429,260</u>	<u>\$ 2,991,325</u>

See accompanying notes to the financial statements.



**Capitol Square Review and Advisory Board  
Balance Sheet  
Governmental Funds  
As of June 30, 2002**

	General	Sale of Goods & Services Fund	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash Equity with Treasurer	\$ -	562,071	293,267	\$ 855,338
State Appropriations Receivable	137,250	-	-	137,250
Collateral on Loan Securities	-	175,709	105,951	281,660
Interest Receivable	-	1,169	706	1,875
Other Receivables	7,856	28,676	4,007	40,539
Inventories	-	90,723	-	90,723
Total Assets	<u>145,106</u>	<u>858,348</u>	<u>403,931</u>	<u>1,407,385</u>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts Payable	263,126	16,596	-	279,722
Accrued Liabilities	64,890	13,467	-	78,357
Obligations Under Securities Lending	-	175,709	105,951	281,660
Total Liabilities	<u>328,016</u>	<u>205,772</u>	<u>105,951</u>	<u>639,739</u>

**FUND BALANCES**

Unreserved, Reported In:

General	(182,910)			(182,910)
Special Revenue	-		297,980	297,980
Enterprise	-	652,576	-	652,576
Total Fund Balances	<u>(182,910)</u>	<u>652,576</u>	<u>297,980</u>	<u>767,646</u>

Total Liabilities and Fund Balances	<u>\$ 145,106</u>	<u>858,348</u>	<u>403,931</u>	<u>\$ 1,407,385</u>
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**Reconciliation of Total Governmental Fund Balance  
to Net Assets of Governmental Activities  
June 30, 2001**

Total Governmental Fund Balance	\$ 767,646
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Long term liabilities are not due and payable in the current period and  
therefore are not reported in the funds:

Accrued workers compensation-noncurrent	(33,264)
Accrued compensated absences	<u>(172,317)</u>

Net Assets of Governmental Activities	<u>\$ 562,065</u>
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See accompanying notes to the financial statements.

**Capitol Square Review and Advisory Board  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2002**

	General	Sale of Goods & Services Fund	Other Governmental Funds	Total
<b>REVENUES</b>				
State Appropriations	\$ 3,255,403	-	-	\$ 3,255,403
Sales, Services and Charges	-	525,610	(1,363)	524,247
Investment Income	-	30,135	8,262	38,397
Other	-	29,116	176,793	205,909
	<u>3,255,403</u>	<u>584,861</u>	<u>183,692</u>	<u>4,023,956</u>
<b>EXPENDITURES</b>				
<b>CURRENT OPERATING</b>				
General Government	<u>3,445,052</u>	<u>669,622</u>	<u>174,907</u>	<u>4,289,581</u>
Total Expenditures	<u>3,445,052</u>	<u>669,622</u>	<u>174,907</u>	<u>4,289,581</u>
Excess/(Deficiency) of Revenues over/(under) Expenditures	<u>(189,649)</u>	<u>(84,761)</u>	<u>8,785</u>	<u>(265,625)</u>
Net Change in Fund Balances	<u>(189,649)</u>	<u>(84,761)</u>	<u>8,785</u>	<u>(265,625)</u>
Fund Balances/(Deficits), July 1, 2001	<u>6,739</u>	<u>737,337</u>	<u>289,195</u>	<u>1,033,271</u>
Fund Balances/(Deficits), June 30, 2002	<u>\$ (182,910)</u>	<u>652,576</u>	<u>297,980</u>	<u>767,646</u>

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of the Governmental Funds to the Statement of Activities  
for the Year Ended June 30, 2002**

Net Change in Fund Balances-Total Governmental Funds	(265,625)
Amounts reported for governmental activities in the statement of activities are different because	
Some activities reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Workers compensation	(33,264)
Compensated absences	<u>(172,317)</u>
Change in Net Assets of Governmental Activities	<u>\$ (471,206)</u>

See accompanying notes to the financial statements.

**Capitol Square Review and Advisory Board**  
**Statement of Net Assets**  
**Enterprise Fund**  
**As of June 30, 2002**

	<u>Underground Parking Garage</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash Equity with Treasurer	\$ 2,184,798
State Appropriations Receivable	-
Collateral on Loan Securities	683,652
Interest Receivable	4,541
Other Receivables	38,135
<b>Total Current Assets</b>	<u>2,911,126</u>
<b>NONCURRENT ASSETS</b>	
Capital Assets, Net	<u>6,919,177</u>
<b>Total Assets</b>	<u><u>\$ 9,830,303</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 48,016
Workers' Compensation	1,041
Compensated Absences	12,715
Accrued Liabilities	50,941
Accrued Interest Expense	81,385
Obligations Under Securities Lending	683,652
Deferred Revenue	5,875
Bonds Payable	415,728
<b>Total Current Liabilities</b>	<u>1,299,353</u>
<b>NONCURRENT LIABILITIES</b>	
Workers' Compensation	17,366
Compensated Absences	120,484
Bonds Payable	5,963,840
<b>Total Noncurrent Liabilities</b>	<u>6,101,690</u>
<b>TOTAL LIABILITIES</b>	<u>7,401,043</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, net of related debt	539,609
Unrestricted	<u>1,889,651</u>
<b>Total Net Assets</b>	<u><u>\$ 2,429,260</u></u>

See accompanying notes to the financial statements.

**Capital Square Review and Advisory Board  
Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Fiscal Year Ended June 30, 2002**

	<u>Underground Parking Garage</u>
<b>Operating Revenues:</b>	
Parking Revenues	\$ 2,653,996
Other	<u>233</u>
<b>Total Operating Revenues</b>	<u>2,654,229</u>
<b>Operating Expenses:</b>	
Administration and Cost of Sales and Services	1,789,318
Depreciation	<u>494,105</u>
<b>Total Operating Expenses</b>	<u>2,283,423</u>
Operating Income	<u>370,806</u>
<b>Nonoperating Revenues (Expenses):</b>	
Interest Income	94,553
Interest Expense	(317,752)
Loss on disposal of fixed assets	(52,770)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(275,969)</u>
Income Before Operating Transfers	<u>94,837</u>
<b>Operating Transfers:</b>	
Operating Transfers-Out	<u>-</u>
Net Income	94,837
Net Assets, July 1, 2001	2,039,496
Prior period adjustment	<u>294,927</u>
Net Assets, June 30, 2002	<u><u>\$ 2,429,260</u></u>

See accompanying notes to the financial statements.

**CAPITOL SQUARE REVIEW AND ADVISORY BOARD**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2002**

	<u>Underground Parking Garage</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 2,068,702
Cash received from intergovernments	589,973
Cash payments to employees	(1,286,692)
Cash payments to suppliers	(527,650)
Cash payments to intergovernments	(23,200)
Cash received from interest earnings	96,571
Cash payments for interest expense	<u>(359,820)</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>557,884</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(31,770)
Principal payment on long-term obligations	<u>(413,321)</u>
<b>Net cash used in capital and related financing activities</b>	<b><u>(445,091)</u></b>
 Net Increase in Cash and Cash Equivalents	 112,793
 Cash and Cash Equivalents, Beginning of the Year	 <u>2,072,005</u>
Cash and Cash Equivalents, End of the Year	<u>\$ 2,184,798</u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</b>	
Operating Income(Loss)	\$ 94,837
Adjustments to Reconcile Operating Income to NetCash	
Provided by Operating Activities:	
Depreciation	494,105
Loss on sale of assets	52,770
Decrease (Increase) in Assets:	
Interest receivable	(12,727)
Due from other fund	8,186
Accounts receivable and prepaid expense	10,474
Increase (Decrease) in Liabilities	
Accounts Payable	(97,515)
Accrued Liabilities	5,879
Deferred Revenue	1,875
<b>Net Cash Flows Provided by Operating Activites</b>	<b><u>\$ 557,884</u></b>

See accompanying notes to the financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements represent the financial position and results of operations and cash flows of the Capitol Square Review and Advisory Board (the Board) as of and for the fiscal year ended June 30, 2002. The Board is part of the State of Ohio's reporting entity. The State of Ohio Comprehensive Annual Financial Report provides more extensive disclosure regarding the significant accounting policies of the State as a whole.

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

B. Basis of Presentation - Fund Accounting

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

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

Governmental Fund Types

The Board has the following Governmental Fund Types:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Fund Types

Enterprise - The enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprise. For the Board, the enterprise fund consist of the underground parking garage, formerly know as the State Parking Commission.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental Funds

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

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

Proprietary Funds

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

D. Budgets

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

In addition, budgetary expenditures include cash disbursements against fiscal year 2002 appropriations and outstanding encumbrances, as of June 30, 2002, that were committed during fiscal year 2002. Encumbrance reversions represent lapses of prior year appropriations.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, a reconciliation of the differences between the GAAP basis and the non-GAAP budgetary basis of reporting is presented in Note 2.

E. Cash with Treasurer

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

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

F. Inventory

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

G. Property and Equipment

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Specific Purpose Funds

Until July 1, 1994 all revenues from the parking facility were deposited directly into the checking account of the Capitol Square Review and Advisory Board. All operating expenses were first paid out of this account and after reserving therein at all times an adequate amount as working capital (as determined by the Board), excess funds were transferred into the High Balance Business Savings account of the Capitol Square Review and Advisory Board.

Pursuant to H.B. 715 passed on April 22, 1994, effective July 1, 1994, all revenue is deposited with the Treasurer of the State of Ohio in the fund identified as the Underground Parking Garage Operating Fund. All operating expenses are paid out of this fund.

I. Compensated Absences

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

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, vacation, compensatory time, and personal leaves are accrued as liabilities when an employee's rights to the payment are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

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

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

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

**2. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2002 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Parking facility	\$ 7,246,805	-	-	\$7,246,805
Parking facility improvements	7,513,954	778,490	-	8,292,444
Construction in progress	451,792	-	(451,792)	-
Equipment	<u>297,385</u>	<u>-</u>	<u>(90,845)</u>	<u>206,540</u>
Total	15,509,936	778,490	(542,637)	15,745,789
Less: accumulated depreciation				
Parking facility	(5,407,458)	(120,780)	-	5,528,238
Parking facility improvements	(2,896,311)	(352,671)	-	3,248,982
Equipment	<u>(66,813)</u>	<u>(20,654)</u>	<u>38,075</u>	<u>49,392</u>
Total	<u>(8,370,582)</u>	<u>(494,105)</u>	<u>38,075</u>	<u>8,826,612</u>
Net capital assets	<u>\$ 7,139,354</u>	<u>284,385</u>	<u>(504,562)</u>	<u>\$ 6,919,177</u>

All depreciation expense amounting to \$494,105 was charged to the Underground Parking Garage program.

**3. SECURITIES LENDING TRANSACTIONS**

Generally, during the year, CSRAB had securities lending transactions through cash held by the State Treasurer which consisted of U.S. Government and U.S. Government Agency Obligations. These securities were collateralized by Cash and U.S. Government Securities. The loan contracts specifically do not allow the Treasurer to pledge or sell collateral securities without a borrower default. The value of the collateral provided is required to exceed the value of the underlying securities out on loan by 2% of the market value of the underlying securities. There was no restriction on amounts of the total loan contracts. However, there are percentage and dollar cap restrictions relating to the amount on loan to a single borrower, and there is no loss indemnification provided by the Treasurer's Office by its lending agents.

The maturities of the investments purchased with cash collateral generally match the maturities of underlying securities loaned at June 30, 2002. There is no credit risk because the value of the collateral exceeds the value of the securities loaned. Also there were no losses on securities lending transaction during fiscal year 2002 resulting from the default of a borrower or lending agent, nor were there any prior period losses.

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

**4. BUDGETARY BASIS OF ACCOUNTING**

Actual revenues, expenditures, encumbrances and transfers-in and transfers-out on the non-GAAP budgetary basis do not equal those reported on the GAAP-basis in the Combined

Statement of Revenues, Expenditures and Changes in Fund Balance - General and Special Revenue Funds. This difference results primarily from basic differences in the recognition of accruals, interfund transactions and from timing differences in the budgetary basis of accounting for encumbrances.

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

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

	<u>General Fund</u>	<u>Sales of Goods &amp; Services Fund</u>
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ (30,649)	\$ (85,581)
Net adjustment for revenue accruals	-	4,826
Net adjustment for expense accruals	(75,854)	(7,063)
Unrealized gain on investments	-	218
Net adjustment for inventory	-	3,834
Payment of prior year encumbrances	(65,079)	-
Outstanding encumbrances	(319,329)	-
Encumbrance revisions	(47)	-
Adjustment for requisitions and encumbrances	<u>95,728</u>	<u>7,790</u>
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$ (395,230)</u>	<u>\$ (75,976)</u>

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
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**5. RETIREMENT PLAN**

Plan Description

Substantially all employees are covered by the Public Employees Retirement System of Ohio (PERS). This retirement program is statewide cost-sharing multiple-employer defined benefit pension plans. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute. PERS issues separate, publicly available financial reports that include financial statements and required supplementary information. PERS financial report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215 or by calling (614) 466-2085 or 1-800-222-7377.

Funding Policy

The Revised Code of Ohio (ORC) provides PERS statutory authority for employee and employer contributions. The PERS Retirement Board instituted a temporary rate rollback for calendar year 2002. The required contribution rates for PERS plan members and employers for calendar year 2002 were 8.50% and 13.31% of covered payroll, respectively. The required, actuarially determined, rates for plan members are 9.30% and 14.00% of covered payroll, respectively.

The Board's contributions, which represent 100% of the required contributions, for the year ended June 30, 2002 and for each of the two preceding years were as follows:

<u>Year Ended June 30</u>	<u>Percentage Contribution</u>	<u>PERS Annual Required Contributions</u>
2000	100%	\$360,243
2001	100%	\$301,160
2002	100%	\$370,746

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

**6. OTHER POST EMPLOYMENT BENEFITS**

Public Employees Retirement System of Ohio (PERS):

PERS provides post-retirement health care coverage to age and service retirees with 10 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 Benefits (OPEB) as described in GASB Statement No. 12. "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers".

**STATE OF OHIO**  
**CAPITOL SQUARE REVIEW AND ADVISORY BOARD**  
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**For the Year Ended June 30, 2002**

6. OTHER POST EMPLOYMENT BENEFITS - (Continued)

A portion of each employer's contribution to PERS is set aside for funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate for state employers was 13.31% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

Assumptions:

Funding Method - An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used.

Investment Return - The investment assumption rate for 2000 was 7.75%.

Active Employee Total Payroll - An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.

OPEB are advanced-funded on an actuarially determined basis. An entry age normal actuarial cost method 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.

As of December 31, 2000, (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively. The number of active participants was 411,076.

7. BOND SERVICE CHARGES PAYABLE

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

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

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

**7. BOND SERVICE CHARGES PAYABLE - Continued**

On June 25, 2002, the Ohio Building Authority issued 2002 Series B new bonds at par for the purpose of refunding \$21,345,000 of Series 1993A bonds of which the Board's balance was \$6,379,567. The 2002 Series B bonds bare a true interest rate of 3.88% and will be repaid in varying principal amounts over a ten year period with the final payment on September 1, 2012. The refunded Series 1993A bonds carried an interest rate of 5.5% and also were due in varying principal amounts, with the final payment due September 1, 2012.

The following is a summary of amounts related to the refunding for the Authority and the Boards portion of the transaction:

	<u>Ohio Building Authority</u>	<u>The Board's Portion</u>
Reacquisition Price		
Proceeds from the sale of new bonds	\$23,790,871	\$6,745,516
Less Bond Issuance Costs	<u>(219,119)</u>	<u>(64,128)</u>
Amount paid to escrow agent for refunding	23,571,752	6,683,388
Net carrying amounts of old bonds	<u>21,345,000</u>	<u>6,379,568</u>
Deferred amounts on refunding	2,226,752	303,820
Additional call premium	389,943	110,562
Refunded (old) bonds		
Principal	21,324,000	6,379,568
Interest	<u>10,107,212</u>	<u>2,123,898</u>
	31,452,212	8,503,466
Refunding (new) bonds		
Principal	23,961,695	6,793,950
Interest	<u>6,101,837</u>	<u>1,489,603</u>
	30,063,532	8,283,553
Unadjusted reduction in debt service	<u>\$ 1,388,680</u>	<u>\$ 219,913</u>
Present value reduction in debt service	<u>\$ 1,129,322</u>	<u>\$ 178,839</u>

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

**7. BOND SERVICE CHARGES PAYABLE - Continued**

The new debt amount has been report net on the statement of net assets and the deferred amount and additional bond premium will be amortized as a component of interest cost over the remaining life of the new debt. Accordingly, the remaining minimum payments required under the agreement as of June 30, 2002 less applicable deferred amounts and bond premium follows:

<u>Year</u>	<u>New Debt Payment</u>	<u>Deferred Refunding Amount</u>	<u>Net Debt Payment</u>
2003	\$ 490,027	74,299	415,728
2004	479,297	77,182	402,115
2005	505,492	69,932	435,560
2006	533,270	62,145	471,125
2007	656,704	27,831	628,873
2008 and after	<u>4,129,160</u>	<u>85,015</u>	<u>4,026,166</u>
Total Principal Payments	6,793,950	<u>414,382</u>	6,379,568
Add: Interest Payments	<u>1,489,604</u>		<u>1,075,222</u>
Total Principal & Interest payments	<u>\$6,793,949</u>		<u>\$7,454,790</u>

Long term liability for the year ended June 30, 2002 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Bonds	\$6,792,889	-	413,322	6,379,568	\$415,728
Total bonds	<u>\$6,792,889</u>	<u>-</u>	<u>413,322</u>	<u>6,379,568</u>	<u>\$415,728</u>

At June 30, 2002, there was unpaid accrued interest of \$81,385 which is recorded as a liability in the Enterprise Fund.

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

**8. OTHER LONG-TERM OBLIGATIONS**

Other general long-term obligations of the Board at June 30, 2002 consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	Amounts Due within <u>One Year</u>
Governmental Activities:					
Workers Compensation	\$ 36,963	593	2,298	35,258	\$ 1,994
Compensated absences	113,327	58,990	-	172,317	17,810
Business-type Activities:					
Workers Compensation	17,203	2,404	1,200	18,407	1,041
Compensated Absences	<u>208,485</u>	<u>-</u>	<u>75,276</u>	<u>133,209</u>	<u>12,715</u>
Total Other Long-Term Obligations				<u>\$359,191</u>	\$ <u>33,560</u>

Compensated Absences

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

**9. RISK MANAGEMENT**

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

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

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

10. DEFERRED COMPENSATION

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

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

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

11. RESTATEMENT OF BEGINNING NET ASSETS

Retained earnings for the enterprise fund has been adjusted for \$294,928 of capital assets which had been improperly expensed. Had the error not been made, net income for 2001 would have been increased by \$294,927.

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND AND ADVISORY BOARD  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP  
BUDGETARY BASIS) GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			Sales of Goods & Services Fund		
	Original Budget	Final Budget	Actual Plus Encumbrances	Original Budget	Final Budget	Actual Plus Encumbrances
Revenues:						
State Appropriations	\$ 3,331,257	3,331,257	3,331,257	521,343	521,343	\$ 521,343
Sales, Services and Charges	-	-	-	30,353	30,353	30,353
Investment Earnings	-	-	-	29,116	29,116	29,116
Total Revenues	3,331,257	3,331,257	3,331,257	580,812	580,812	580,812
Expenditures:						
Current:						
General Government	3,761,672	3,487,758	3,361,906	703,293	703,293	666,393
Total Budgetary Expenditures	3,761,672	3,487,758	3,361,906	703,293	703,293	666,393
Excess (Deficiency) Revenues Over (Under) Budgetary Expenditures	(430,415)	(156,501)	(30,649)	(122,481)	(122,481)	(85,581)
Other Financing Sources:						
Encumbrance Reversions	-	-	47	-	-	-
Total Other Financing Sources	-	-	47	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Budgetary Expenditures	\$ (430,415)	(156,501)	(30,602)	(122,481)	(122,481)	(85,581)
Unreserved, Undesignated Budgetary Fund Balances (Deficits), July 1, 2001			(145,939)			656,118
Unreserved, Undesignated Budgetary Fund Balances (Deficits), June 30, 2002			\$ (176,541)			\$ 570,537

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

Honorable Jim Petro  
Auditor of State of Ohio and  
The Capitol Square Review  
and Advisory Board  
Columbus, Ohio

We have audited the basic financial statements of the State of Ohio, the Capitol Square Review and Advisory Board (the Board), an independently audited organization that is part of the primary government of the State of Ohio, as of and for the year ended June 30, 2002 and have issued our report thereon dated September 11, 2002, which includes an explanatory paragraph regarding the adoption of certain new accounting standards as described in Note 1 to the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing the assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we did note other matters involving the internal control over financial reporting, which we have reported to management of the Board in a separate letter dated September 11, 2002.

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

## **Parms & Company, LLC**

September 11, 2002





**Auditor of State  
Betty Montgomery**

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**CAPITAL SQUARE REVIEW AND ADVISORY BOARD**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 27, 2003**