



**Auditor of State
Betty Montgomery**

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion & Analysis	3
Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Independent Accountants' on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21
Schedule of Prior Audit Findings.....	25

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Franklin County Veterans Memorial, Franklin County, Ohio, (the Memorial), a component unit of Franklin County, as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of Memorial's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin County Veterans Memorial, Franklin County, Ohio, as of December 31, 2003, and the changes in financial position and its cash flows 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 July 16, 2004, on our consideration of the Memorial's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

July 16, 2004

**FRANKLIN COUNTY VETERANS MEMORIAL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
"UNAUDITED"**

The discussion and analysis of the Franklin County Veterans Memorial's ("Veterans Memorial") financial performance provides an overall review of Veterans Memorial's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at Veterans Memorial's financial performance as a whole; readers are encouraged to consider information presented here as well as the financial statements to enhance their understanding of Veterans Memorial's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$125,182 from 2002.
- Total operating revenues increased \$367,925 from 2002.
- Total expenses increased \$618,855 from 2002.
- Received an allocation of \$395,721 from Franklin County Commissioners (\$245,721) to restore cash reserves and (\$150,000) to provide for the second year of a three year sales and marketing plan.

USING THIS FINANCIAL REPORT

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

STATEMENT OF NET ASSETS

This statement reports the Veterans Memorial's net assets, however, in evaluating the overall position of the Veterans Memorial's non-financial information such as changes in the information presented in the section entitled Narrative of 2003 Operation and Current Issues will also need to be evaluated.

Following is a summary of Veterans Memorial's net assets for 2003 compared to 2002:

	<u>2003</u>	<u>2002</u>
Current assets	\$ 545,650	\$ 634,135
Capital assets	294,341	295,926
Total assets	<u>839,991</u>	<u>930,061</u>
Current liabilities	310,412	236,759
Long term liabilities	276,756	315,297
Total liabilities	<u>587,168</u>	<u>552,056</u>
Net assets	<u>\$ 252,823</u>	<u>\$ 378,005</u>

**FRANKLIN COUNTY VETERANS MEMORIAL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
"UNAUDITED"**

The changes in net assets for the year ended December 31, 2003 as well as revenue and expense comparisons to 2002 are as follows:

	2003	2002
Total revenues	\$ 2,008,483	\$ 1,640,558
Total expenses	2,533,754	1,914,899
Operating loss	(525,271)	(274,341)
Non operating revenues	4,368	9,225
(Loss) before contributions	(520,903)	(265,116)
Contributions	395,721	474,213
Change in net assets	(125,182)	209,097
Net assets – beginning of year	378,005	168,908
Net assets – end of year	\$ 252,823	\$ 378,005

ANALYSIS OF OVERALL FINANCIAL POSITIONS AND RESULTS OF OPERATIONS

The financial position of Veterans Memorial slightly declined over the past year, mostly due to stagnant income and slowly rising expenses. The results of 2003 are directly attributable to lack of new ventures, by promoters in 2003, due to the overall uneasy economic climate of 2003. In order to financially stabilize Veterans Memorial's operation, the Franklin County Commissioners authorized an allocation to Veterans Memorial of \$395,721. Of these monies, \$150,000 is to be spent for increased sales and marketing activities and \$245,721 to be applied to replenishment of Veterans Memorial's reserve fund.

OPERATING LEASE

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

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

There was no amount due for 2003. The computation is as follows:

	2003
Specifically identified assets in excess of adjusted current liabilities	\$ (41,518)
Reserve amount to be retained	(250,000)
Reserve fund deficit	\$ (291,518)

IN-KIND CONTRIBUTION

The Board determined it is appropriate to note as contributions the fair market value of space provided to the Franklin County Veterans Service Commission, a not-for-profit governmental entity. Office space and other related facility usage are provided to the Veterans and the Franklin County Veterans Service Commission at no charge. This amount is currently estimated at \$151,933 for the year ended December 31, 2003.

FRANKLIN COUNTY VETERANS MEMORIAL
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2003
"UNAUDITED"

NARRATIVE OF 2003 OPERATION AND CURRENT ISSUES

The hospitality industry has faced a tough two-year operating environment. As in no other time in history, numerous elements worked against the industry from the wars in Afghanistan and Iraq and the continued threat of terrorism, to the continuing economic slump. The majority of public facility managers recently interviewed by *Facility Manager* magazine cited budgetary constraints, lost revenue streams and lack of travel as three main concerns for 2003, but most interviewed also expressed cautious optimism regarding 2004. We find this analysis to be on point as it pertains to Veterans Memorial.

The economic climate prevented trade show and public show managers from taking a risk either by developing new shows or placing existing shows in new and untried locations. Exhibiting companies continue to tighten their belt on advertising, marketing and expenses. Additionally, a large number of mergers and acquisitions have resulted in fewer buyers and sellers to fill the trade show and convention floors. As people stay closer to home, regional events and public shows are becoming more attractive.

Veterans Memorial experienced a booking resurgence in North Exhibition Hall activity during 2003 with this portion of the facility occupied 143 days which is up from 113 in 2002. Conversely, the West Exhibition Hall experienced a decrease from 112 days in 2002 to 98 days in 2003. Among the first time trade shows hosted in 2003; Birdwatch America Expo occupied the North Exhibition Hall for a two-day show in July. Lee Trade Shows presented a two-day event displaying large construction and manufacturing equipment.

Consumer shows continue to be popular. According to *Tradeshow Week* they are expected to reach over 20% of the total exposition market in 2004. Long considered the stepchild of trade shows by a majority of facilities across the country, consumer shows, as a rule, simply do not generate bed tax and are not as prestigious as compared to trade shows or conventions. On the other hand, facilities generally enjoy more bottom line revenue from consumer shows that generate ancillary monies such as parking, food service and decorating. Since most of the exhibit hall events produced at Veterans Memorial are consumer shows (due to the absence of adjacent hotels to house conventioners), this trend is a positive one.

Two prestigious events the Arnold Schwarzenegger Classic and the Easyriders Invitational Bike Show, continue to grow and will occupy more space in 2004. After a tour of the facilities by Easyriders staff, it was decided to expand the event to occupy the entire facility for their 2004 three-day show. A fund-raising banquet for the Columbus Chapter of The After-School All-Stars, a charity endorsed by the organizers of the Arnold Classic, will be held in the North Exhibition Hall on the Friday evening of the fitness weekend in addition to the customary post competition event held Saturday evening.

Another event experiencing growth in 2003 was the Universal Light Expo. Over 2000 attendees were present in the auditorium for a four hour seminar by nationally known psychic Mr. Van Praagh. The Universal Light Expo began in the West Exhibition Hall in 1989 with fewer than 50 booths. This event has slowly and steadily grown over the past decade to occupy all 110,000 square feet of exhibition space, the auditorium and all meeting rooms.

New public events in 2003 included the Home Idea Expo, the first home remodeling show of its type to be presented at Veterans Memorial in over a decade. WoodWorks 2003 was a new show that appealed to amateur and professional woodworking craftsmen. Taste of Homes Cooking Expo featured new food items, cooking products and cooking demonstrations.

Other noteworthy exhibition hall clients included The Simon Kenton Council of the Boy Scouts of America who conducted a one-day, "A Salute to Service", event scout show in celebration of the Ohio Bicentennial in the North Exhibition Hall. This event encompassed the entire Scioto riverfront area, and COSI Advantage Research occupied a portion of the North Hall to test market new roofing shingles for Owens Corning. Veterans Memorial's exhibition facilities accommodated a wide array of clients, large and small.

**FRANKLIN COUNTY VETERANS MEMORIAL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
"UNAUDITED"**

The Salvation Army did not return in 2003 for their annual "Coats for Columbus" clothing distribution. The four-day campaign was held annually from 1998 to 2002 in the West Exhibition Hall. Unable to acquire funding to finance the event in a centrally located off-premise location, the "Coats for Columbus" program will continue but will be housed in existing Salvation Army stores.

Auditorium occupancy increased 15% over 2002 up from 132 to 152 days. Concert activity increased during the fourth quarter of 2003, however overall concert activity decreased as compared to previous years. Some of the artists and acts presented included: Avril Lavigne, Earth Wind & Fire, Rodney Carrington, The Isley Brothers, Shakin' With Laughter Comedy Tour, Chris Rock, The U.S. Air Force Band of Flight, The Ohio State University Marching Band, Sandi Patty, A Perfect Circle, and the third annual visit of the Trans Siberian Orchestra.

Preliminary 2004 forecasts for concert activity do not account for any significant increase in the number of nationally known touring acts targeting a facility of Veterans Memorial's size. A few major headline acts, such as Sting and David Bowie, are producing their performance in theatrical type venues as opposed to larger arenas or amphitheatres. They are focusing on the quality of the show presented in a traditional intimate indoor environment rather than in an amphitheater or arena. Veterans Memorial will seek to make itself available for these opportunities as they arise.

National dance competitions, cheerleading competitions, and local dance recitals continue to figure into the auditorium mix of events held. There were nine one-day and multiple day events of the genre. One dance recital, Reflections of Technique Dance Studio, a client since 1992, recently notified Veterans Memorial that their 2004 recital will be presented at a local high school due to economic considerations.

Wayne Brehm Room usage increased from 118 days in 2002 to 131 days in 2003. Some of the more notable events included The Franklin County Job & Family Services Youth Summit, the Ohio Consumer Council's annual meeting, and five meetings of Central Ohio Regional Professional Development Center.

Household Inc. held a financial planning breakfast, and Columbus Area Community Mental Health Center a reception for parents and children involved in the successful performances of the "Chocolate Nutcracker" (also held in the auditorium) as part of the 22 occupancy days in the Dining Room.

In addition to use in conjunction with annual conventions and parties, the Memorial Room was utilized for 12 days. The American Red Cross held a monthly meeting using the outside terrace. The law firm of Lane, Alton & Horst conducted an employee party with a Mexican theme also incorporating the terrace. It is anticipated, with the addition of air-conditioning and additional electrical capability, this room will become more popular in 2004.

The close of 2003 completed the first year of a marketing, public relations, and direct sales initiative. The Expo Group completed extensive research with public, business and political leaders in the community. A thorough review of the data resulted in the creation of a brochure which introduced the theme of the "New" Vets. This brochure was then the cornerstone of the direct mail campaign. EventCo conducted a series of after work receptions featuring cuisine by Sodexo, (Veterans Memorial's exclusive in-house food service operator), entertainment, and a tour of the "New" Vets to potential clients.

In addition to individual veterans organizations who occupy the meeting rooms monthly, numerous committee meetings for MilVets, Veterans Hall of Fame Foundation, Ohio Veterans Bicentennial and the Veterans Day parade committee meetings were held. One promotional activity hosted jointly by the Veterans Memorial Board and Commissioners was the first inaugural "Red White and Boom Bash". Three hundred and fifty invited guests including current and potential clients experienced the "New" Vets and enjoyed the fireworks display from the east terrace overlooking the Scioto River. This popular event is planned to be reprised in 2004.

**FRANKLIN COUNTY VETERANS MEMORIAL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2003
"UNAUDITED"**

Other noteworthy veterans events included the 12th District Council of the American Legion sponsoring a moving tribute commemorating the anniversary of the sinking of the troop ship Dorchester in WWII, an informational seminar hosted by Representative Deborah Pryce's office for high school seniors seeking a nomination to one of the U.S. service academies, and "A Support our Troops and Remembrance Ceremony" recognizing overseas soldiers including a remembrance of those who made the ultimate sacrifice.

Veterans Memorial is fortunate to have the assistance and support of the Franklin County Commissioners. Special marketing and sales efforts including the recently completed brochure funded by the commissioners have been enthusiastically received by meeting planners and potential clients. New print advertisements based upon the brochure will be placed in local, regional and national media to support the theme of the "New" Vets. To date, over 5,000 brochures have been mailed. Veterans Memorial's web site, www.fcv.com has been updated and will soon feature a newsletter. The Veterans Memorial's Board and management sincerely appreciate the Commissioners who have been instrumental in the increased visibility and viability of the facility.

There have been several transitions of note during the year recently concluded within the Veterans Memorial Board. We would sincerely like to thank Frederick J. Simon, the Board President from 1989 to 2003. Mr. Simon steered the Board through many challenges over the course of his presidency and has been a staunch supporter of the facility, committed to the Veterans Memorial for over twenty-four years. His advice, expertise and leadership have proved invaluable. Although he no longer serves as President, he continues to participate in an active role on the Board. Mr. David E. Aldstadt was elected to replace Mr. Simon as President at the January 2004 board meeting.

Sadly, Hugh DeMoss, a member of the Board serving two separate terms over the years passed away suddenly on November 18, 2003. Mr. DeMoss' participation at Veterans Memorial was so important to him that at the request of his family, a service of remembrance was held in the Memorial Room. Mr. DeMoss' positive attitude, insight and counsel will be greatly missed.

Veterans Memorial is deeply grateful to every member of the Board of Trustees who freely gave of their time, talents and expertise. Their dedication, commitment and support are deeply appreciated.

As clients review their activities and their budgets, service and value becomes more important. Increased competition has created a more knowledgeable and discriminating client. Veterans Memorial continues to pride itself on offering quality space and superior service at affordable rates. Without the day to day support of the Veterans Memorial's staff, this would not be a reality. Their dedication, untiring effort and loyalty is helping make us what we are!

It is evident from reviewing the figures contained elsewhere in this report certain expenses, (i.e. insurance, energy and facility repair), are increasing disproportional compared to current facility usage and previous annual reports. Increasing facility occupancy must continue to be a paramount concern of Veterans Memorial's board and management. The implementation of marketing, sales and advertising initiatives must be continued and constantly reviewed for effectiveness. However, as stated previously, increasing revenues will be largely dependent upon an increase in our nation's overall economic climate.

CONTACTING THE FRANKLIN COUNTY VETERANS MEMORIAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of Franklin County with a general overview of Veterans Memorial's finances and operations. If you have questions about this report or need additional financial information, please contact Richard P. Nolan, General Manager, Veterans Memorial, 300 West Broad Street, Columbus, Ohio 43215.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

Assets

Current Assets

Cash and Investments	\$ 436,844
Receivables:	
Accounts	45,317
Reimbursable costs	9,912
Prepaid items	53,577
 Total Current Assets	 545,650

Noncurrent Assets:

Capital assets:

Depreciable capital assets, net	294,341
 <i>Total Noncurrent Assets</i>	 294,341

<i>Total Assets</i>	839,991
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Liabilities

Current Liabilities:

Accounts Payable	55,162
Accrued Wages	30,209
Intergovernmental Payable	51,228
Compensated Absences Payable	76,154
Deferred Revenue	97,659

<i>Total Current Liabilities</i>	310,412
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Long-Term Liabilities

Compensated Absences Payable	276,756
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<i>Total Long-Term Liabilities</i>	276,756
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<i>Total Liabilities</i>	587,168
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Net Assets

Invested in Capital Assets	294,341
Unrestricted	(41,518)

<i>Total Net Assets</i>	\$ 252,823
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See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Operating Revenues	
Charges for services	\$ 2,008,483
<i>Total Operating Revenues</i>	<u>2,008,483</u>
Operating Expenses	
Salaries	1,175,656
Fringe benefits	471,038
Purchased services	474,874
Materials and supplies	59,326
Repairs and maintenance	159,633
Depreciation	42,879
Other	150,348
<i>Total Operating Expenses</i>	<u>2,533,754</u>
<i>Operating (Loss)</i>	<u>(525,271)</u>
Non-Operating Revenue	
Interest	4,368
<i>Total Non-Operating Revenue</i>	<u>4,368</u>
<i>Loss before Contributions</i>	(520,903)
Contributions	395,721
<i>Change in Net Assets</i>	(125,182)
<i>Net Assets Beginning of Year</i>	<u>378,005</u>
<i>Net Assets End of Year</i>	<u><u>\$ 252,823</u></u>

See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 2,004,713
Cash Payments to Employees for Services	(1,134,613)
Cash Payments to Employee Benefits	(468,961)
Cash Payments for Goods and Services	(712,436)
Other Cash Payments	<u>(150,348)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>(461,645)</u>
Cash Flows from Non-Capital Financing Activities	
Cash Received from Primary Government	<u>395,721</u>
<i>Net Cash Provided by Non-Capital Financing Activities</i>	<u>395,721</u>
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	<u>(41,294)</u>
<i>Net Cash (Used in) Capital and Related Financing Activities</i>	<u>(41,294)</u>
Cash Flows from Investing Activities	
Interest Received from Investments	<u>4,368</u>
<i>Net Cash Provided by Investing Activities</i>	<u>4,368</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(102,850)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>539,694</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 436,844</u></u>

**Reconciliation of Operating Loss to Net Cash
Provided (Used) by Operating Activities**

Operating loss	\$ (525,271)
Adjustments:	
Depreciation	42,879
(Increase) decrease in assets:	
Accounts receivable	(7,857)
Prepaid items	(6,508)
Increase (decrease) in liabilities:	
Accounts payable	(2,852)
Accrued wages	2,029
Compensated absences payable	37,613
Deferred revenue	4,087
Intergovernmental payable	<u>(5,765)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ (461,645)</u></u>

Non-Cash Activities

In-Kind Contributions for space provided to Veterans Service Commissioner were \$151,933

See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. DESCRIPTION OF VETERANS MEMORIAL AND REPORTING ENTITY

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

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

The Memorial is a discretely presented component unit of Franklin County (“the County”), the primary government, in which they are fiscally dependent; however, the County does not control the day to day operations of the Memorial. The Memorial is owned by the County whereby the Board of Trustees leases it under an agreement that extends until 2013. Under the agreement, the Memorial pays the county rent equal to the Memorial’s annual net income from operations plus all reserves in excess of \$250,000. In the past two years (2002 and 2003), there has been no rent paid to the County whereby imposing a financial burden on the County (see Note 11).

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

The Memorial uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Enterprise fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Memorial's financial statements are prepared using the accrual basis of accounting. Accrual basis of accounting arises in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

Expenses are recognized at the time they are incurred.

Cash, Cash Equivalents, and Investments

During 2003, the Memorial's only investment was in the State Treasury Assets Reserve of Ohio ("STAR Ohio"). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2003. Interest earned is reported as non-operating revenues in the amount of \$4,368.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

Capital Assets

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

FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Memorial maintains a capitalization threshold of \$500 for all assets other than leasehold improvements; the capitalization threshold for leasehold improvements is \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over useful lives ranging from five to twenty-five years. A reconciliation of beginning and ending net balances is included in Note 5.

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

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments.

Net Assets

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

There are no restricted net assets externally imposed.

Operating Revenues and Expenses

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

Contributions

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

The Memorial received a \$395,721 contribution from Franklin County Commissioners.

FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Capital

Contributions of capital arise from outside contributions of fixed assets or from outside contributions of resources restricted to capital acquisition and construction. The Memorial did not have any contributions of capital during 2003.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. DEPOSITS AND INVESTMENTS

Cash on Hand

At year-end, the Memorial had \$1,200 in undeposited cash on hand which is included on the statement of net assets as part of "cash and investments."

Deposits

At year-end, the carrying amount of the Memorial's deposits was \$56,874 and the bank balance was \$59,803. The entire bank balance was covered by federal depository insurance.

Investments

At year-end, the carrying value of the Memorial's investment was \$378,770. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

4. ACCOUNTS RECEIVABLE

Receivables at December 31, 2003 consisted of billings for user charged services and are shown at their net realizable value. Management believes all receivables are fully collectible; however, any uncollectible amounts are charged to operations during the period in which they are determined to be uncollectible. Bad debt expense amounted to \$819 which is made a part of other operating expenses on the statement of revenues, expenses, and changes in fund net assets.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

5. CAPITAL ASSETS

Reconciliation of beginning and ending balances (net of accumulated depreciation) for the year ended December 31, 2003:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Improvements</u>	<u>Depreciation</u>	<u>Ending Balance</u>
Leasehold Improvements					
- Building	\$ 130,917	\$ -	\$ 1,925	\$ 8,329	\$ 124,513
Leasehold Improvements					
- North Hall	2,925	3,058	-	449	5,534
Equipment	86,517	3,900	-	16,095	74,322
Vehicles	-	16,719	-	2,787	13,932
Furniture and Fixtures	74,702	11,974	3,718	14,988	75,406
Cafeteria Equipment	<u>865</u>	<u>-</u>	<u>-</u>	<u>231</u>	<u>634</u>
Total	<u>\$ 295,926</u>	<u>\$ 35,651</u>	<u>\$ 5,643</u>	<u>\$ 42,879</u>	<u>\$ 294,341</u>

During the year, the Memorial disposed of one asset, a vehicle. This asset had an original cost of \$18,627 and was fully depreciated at the time of disposal.

6. RISK MANAGEMENT

The Memorial is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2003, the Memorial along with the County Commissioners contracted with its agent Defusco & Associates for blanket building and its contents. All other coverages were not combined with the County Commissioners. Coverages provided by Defusco & Associates are as follows:

<u>Coverage</u>	<u>Replacement Value</u>	<u>Deductible</u>
Building and its contents	37,095,000	1,000
Terrorism limit	Included above	Included above
Business income and extra Expense	1,000,000	No deductible
Automobile	1,000,000	Deductible varies
Crime (employee, forgery, money inside and outside, and non-compensated Employees)	50,000	500
Boiler and machinery	5,000,000	1,000 – 2,500
Other boiler coverage	25,000 – 1,250,000	24 hours
General liability	1,000,000 – 2,000,000	No deductible
Umbrella	15,000,000	No deductible

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

6. RISK MANAGEMENT (CONTINUED)

The Memorial also provides health insurance, dental, and vision coverage to full-time employees through a private carrier. The Memorial is billed by its primary government on a monthly basis for the cost of health insurance.

7. DEFERRED COMPENSATION PLAN

As of December 31, 2003 various employees of the Memorial had elected to participate in the deferred compensation plan offered by the Memorial and administered by the Ohio Public Employees Deferred Compensation Board. This deferred compensation plan is a defined contribution program under Section 457 of the Internal Revenue Code. All assets and income of the plan must be held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, the assets and liabilities of the plan are not reflected in the financial statements of the Memorial.

8. PENSION PLAN

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Memorial's contribution rate for pension benefits for 2003 was 8.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Memorial's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$266,117, \$ 256,925, and \$ 237,068 respectively; 100 percent has been contributed for 2002 and 2001. As of December 31 2003, an intergovernmental payable of \$21,079 represents the remaining unpaid portion.

FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund post-employment benefits were \$61,406. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

10. COMPENSATED ABSENCES

Franklin County Veterans Memorial employees earn vacation leave at various rates ranging from two to five weeks per year based upon years of service. Sick leave is accumulated at the rate of three weeks per year. Vacation pay is vested after one year and sick pay is generally vested after eight years of service. Vested vacation and sick leave are recorded as expense when earned. The liability of \$352,910 represents amounts as of December 31, 2003 that were due to employees upon retirement or termination of their employment. Of this amount, \$76,154 is expected to be paid within one year.

11. OPERATING LEASE

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

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

There was no amount due for 2003. The computation is as follows:

	<u>2003</u>
Specifically identified assets in excess of adjusted current liabilities	\$ (41,518)
Reserve amount to be retained	<u>(250,000)</u>
Reserve fund deficit	<u>\$ (291,518)</u>

12. CONCENTRATIONS

Franklin County Veterans Memorial receives the majority of its revenues from Booking and Parking Lot revenues from events in the Columbus, Ohio area. Although not anticipated, a significant decrease in either of these revenue types could adversely effect the financial position and operations of the facility. In 2003 these two items constituted 63% of operating revenues.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the basic financial statements of the Franklin County Veterans Memorial, Franklin County, Ohio, (the Memorial), a component unit of Franklin County, as of and for the year ended December 31, 2003, and have issued our report thereon dated July 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Memorial'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 directly and materially affect 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. Additionally, we noted certain revenues that were collected but unaccounted for which are the subject of an ongoing investigation. We have determined that the amounts for 2003 are not material to the financial statements. At the conclusion of the investigation, the 2003 amounts will be considered when reporting as a part of a special audit performed by the Auditor of State. We also noted certain immaterial instances of noncompliance that we have reported to the Memorial's management in a separate letter dated July 16, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Memorial's internal control over financial reporting 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Memorial's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-006.

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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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items *2003-001 and 2003-003 through 2003-006* to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported the Memorial's management in a separate letter dated, July 16, 2004.

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

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

Betty Montgomery
Auditor of State

July 16, 2004

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Noncompliance Citation

Finding Number	2003-001
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Timely deposits

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

A government employee other than the fiscal officer collecting funds and issuing a receipt must deposit the funds with the government's fiscal officer on the business day following the day of receipt. As an alternative to depositing the funds with the government's fiscal officer, the employee instead may deposit funds with the government's designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. If the public office is governed by a legislative authority, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

During 2003, there were five parking and four booking receipts (according to Memorial receipt records) greater than \$1,000 that were not deposited by the business day following receipts. In addition, there were other parking receipts greater than \$1,000 that were in the parking drop box, yet were not deposited for over a year. Parking receipts deposited one year late totaled \$1,800.

The Memorial should more centrally control collections. Only one main safe should be used and any other safes/lock boxes should only be used as a temporary safeguard for receipts that are received at different locations and times during the day. One person should be responsible for controlling the safes/lock boxes and collecting monies from any remote safes/lock boxes. Prenumbered receipts or payins should be issued for all receipts collected. Another person, independent of the collection of the receipts, should reconcile the prenumbered receipts or payins to the cash and checks in the safe/lock boxes. Receipts should be deposited into the bank daily. After hours or special event receipts should be deposited into a bank night depository or collected from the remote safes/lockboxes by the designated individual and deposited with the bank on the next business day.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Noncompliance Citation (Continued)

Finding Number	2003-002
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Segregation of Duties

The duties of the secretary at the Memorial include preparing invoices, collecting cash, preparing the Daily Deposit Record form, posting receipts to the accounting system, and updating the accounts receivable transactions tracked on a spreadsheet that is manually updated.

Segregation of duties is a key element of any effective internal control system. One employee involved in all functions of the receipt process increases the likelihood that errors or irregularities may occur and not be detected in a timely manner by management.

We recommend that the Memorial reassess the responsibilities of each employee and assign certain duties to other employees that will limit one individual from being involved in all accounting functions. The employee responsible for collecting receipts should not also be responsible for preparing the Daily Deposit Record and making deposits. The employee responsible for reconciling the bank account to the general ledger should not also be responsible for inputting transactions into the accounting system, updating the accounts receivable transactions or preparing the Daily Deposit Record and depositing cash. If the duties are rotated among employees, a record should be maintained documenting the duties assigned to each employee for a particular day.

Finding Number	2003-003
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Bank Deposits

The Memorial had bank deposits ranging from \$50-\$3,000 for a total of \$4,099 that were not supported by source documentation. Support documentation includes the Daily Deposit Record, billing invoices, the Daily Parking Record, deposit slips, and copies of checks.

When deposits are made to the bank without supporting documentation, there is a risk that other collections of money are being diverted for improper uses and current collections are being used to cover past collections. There is also the risk that financial statements are misstated.

We recommend that all source documentation pertaining to the Daily Deposit Record be maintained and attached along with the deposit to the bank. We recommend someone outside of the receipt collection and posting process review and acknowledge the Daily Deposit Record to ensure all receipt source documentation reconciles to the deposit.

Finding Number	2003-004
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Parking Lot Receipts

The Memorial receives cash payments from parking lot receipts daily. The Parking Lot Supervisor reconciles cash to the number of tickets sold on the Daily Parking Record form. However, someone independent of the Parking Lot Supervisor does not acknowledge that the cash recorded as received matches the actual cash received.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Noncompliance Citation (Continued)

Finding Number	2003-004 (Continued)
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Parking Lot Receipts (Continued)

The current procedures do not provide controls that safeguard the cash collections and provide some assurance to those employees involved in the parking lot collections and deposits that if errors or irregularities occur, the person responsible for the errors or irregularities will be identified.

We recommend that the Parking Lot Supervisor continue to sign the Daily Parking Record affirming all cash collected is accurate and complete. In addition, the employee that is receiving the cash from the Parking Lot Supervisor should affirm the monies collected were recounted and affirmed accurate and complete. The Daily Parking Record should be signed by the person recounting the cash. Any discrepancies should be resolved and documented on the Daily Parking Record at this time. These procedures should be performed in the presence of the Parking Lot Supervisor and reviewed periodically by the General Manager.

Finding Number	2003-005
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Revenue Recognition

The Memorial bills for the reimbursement of expense related to certain services it provides for. It was noted during testing that expenses and receipts related to certain billable services, such as stagehand, police and other reimbursable service expenses were not recorded as revenues or expenses. Instead, as indicated by the general ledger, receivable accounts were used to substitute for the appropriate revenue and expense accounts. This accounting practice resulted in the service expenses being netted against the subsequent reimbursement receipt. The amount not recorded as revenues and expenses totaled \$308,393. Also, although all revenue recognition requirements were met, Franklin County contributions of \$110,543 were recorded as deferred revenue, rather than as contributions revenue.

Coding and recording revenues and expenses as receivable accounts understate revenues and expenses and will result in an inaccurate annual report. Not recognizing and recording contributions when all eligibility and time restrictions have been met understates contribution revenues.

We recommend that billable income and the related expenses be recognized and recorded as revenues and expenses since the Memorial bills, collects, and pays for the services rendered. County contributions should be recognized and recorded as revenue when all applicable eligibility requirements, including timing requirements are met.

Finding Number	2003-006
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Developing and Implementing an Effective Monitoring Control System

There was no indication that there were effective monitoring controls in place by management. For example, none of the recommended control activities below were performed. Monitoring controls are comprised of procedures established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as, financial control objectives. Effective monitoring controls should identify any unexpected results or exceptions (including significant compliance exceptions). Any unexpected results or exceptions should be investigated and corrective action taken, if needed.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Noncompliance Citation (Continued)

Finding Number	2003-006 (Continued)
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Developing and Implementing an Effective Monitoring Control System (Continued)

Monitoring controls may be in the nature of ongoing activities or periodic separate evaluation made by management, the audit committee, or the Board of Trustees. They can relate to a specific transaction cycle or can be in a more overview nature and should assist management in making informed decisions on operational and fiscal matters. Monitoring controls should consist of activities such as the following:

- Regular review and approval of bank reconciliations and the reconciling items associated with them;
- Review of revenues, specifically booking and parking lot revenues, with independently accumulated information (Parking Lot Record forms, Daily Deposit Record forms, accounts receivable worksheets, etc.);
- Monthly review and approval of expenditures;
- Regular tracking of accounts receivables to cash receipts, including advance deposits; and
- Ensuring adequate segregation of duties exists;

In addition, a summary of each event should be prepared and presented to the Board of Trustees for review. The summary should document items such as the expected receipt amounts at the beginning of the event, the actual amount to be received (after the event occurred) and the amount actually received to date. Any significant variances should be explained on the form. The form could be easily compared to the accounts receivable listing to ensure that receivables are properly documented for collection.

FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Cash was paid to parking lot attendants directly from lot sales and therefore the Memorial never received these monies.	Yes	This procedure was discontinued in early May 2003.



**Auditor of State
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FRANKLIN COUNTY VETERANS MEMORIAL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 31, 2004**