



**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	9
Statement of Revenues, Expenses and Changes in Net Assets.....	10
Statement of Cash Flows	11
Notes to the Financial Statements	13
Independent Accountants' Report on Internal Control Over Financial Reporting and on on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings.....	25

THIS PAGE INTENTIONALLY LEFT BLANK



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, 2004, as listed in the table of contents. These financial statements are the responsibility of the Memorial's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2005, 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 agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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 have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

May 16, 2005

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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, 2004. 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 \$225,365 from 2003.
- Total operating revenues decreased \$112,867 from 2003.
- Total expenses decreased \$117,936 from 2003.
- Received an allocation of \$291,518 from Franklin County Commissioners to restore cash reserves and to provide for the third 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 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 2004 Operation and Current Issues" will also need to be evaluated.

Following is a summary of Veterans Memorial's net assets for 2004 compared to 2003:

	<u>2004</u>	<u>2003</u>
Current assets	\$ 321,002	\$ 545,650
Capital assets	<u>290,221</u>	<u>294,341</u>
Total assets	611,223	839,991
Current liabilities	257,774	310,412
Long term liabilities	<u>325,991</u>	<u>276,756</u>
Total liabilities	<u>583,765</u>	<u>587,168</u>
Net assets	\$ <u><u>27,458</u></u>	\$ <u><u>252,823</u></u>

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

The changes in net assets for the year ended December 31, 2004 as well as revenue and expense comparisons to 2003 are as follows:

	2004	2003
Total revenues	\$ 1,895,616	\$ 2,008,483
Total Expenses	2,415,818	2,533,754
Operation loss	(520,202)	(525,271)
Non operating revenues	3,319	4,368
(Loss) before contributions	(516,883)	(520,903)
Contributions	291,518	395,721
Change in net assets	(225,365)	(125,182)
Net assets - beginning of year	252,823	378,005
Net assets - end of year	\$ 27,458	\$ 252,823

ANALYSIS OF OVERALL FINANCIAL POSITIONS AND RESULTS OF OPERATIONS

The financial position including the current assets of Veterans Memorial declined over the past year, mostly due to stagnant income and fewer contributions received from the Franklin County Commissioners. The results of 2004 are directly attributable to lack of new ventures, by promoters in 2004, due to the overall uneasy economic climate of 2004. In order to financially stabilize Veterans Memorial's operation, the Franklin County Commissioners authorized an allocation to Veterans Memorial of \$291,518. Of these monies, \$150,000 is to be spent for increased sales and marketing activities and \$141,518 to be applied to replenishment of Veterans Memorial's reserve fund.

CAPITAL ASSETS

The Memorial has \$290,221 invested in capital assets net of depreciation. Additions included equipment, furniture and fixtures, and building improvements for fiscal year 2004 valued at \$39,736. Detailed information regarding capital asset activity is included in the notes to the financial statements (Note 5).

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 liabilities from specifically identified current assets.

There was no amount due for 2004. The computation is as follows:

	2004
Specifically identified assets in excess of liabilities	\$ (262,763)
Reserve amount to be retained	(250,000)
Reserve fund deficit	\$ (512,763)

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

IN-KIND CONTRIBUTION

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 \$188,620 for the year ended December 31, 2004.

NARRATIVE OF 2004 OPERATION AND CURRENT ISSUES

Columbus enjoys a rich and varied inventory of public assembly facilities - a convention center, two arenas, three major outdoor sports facilities, and numerous downtown theaters, in addition to the state fairgrounds. Each venue has its primary market niche.

Step into a multi-purpose facility like Veterans Memorial. Hosting a state licensing exam during the day, a rock concert that same evening, a corporate party tomorrow, and a large food show directly after that. The heart of a multi-purpose facility beats to a unique rhythm. The local benefits of such a facility may not always be obvious, but they are substantial. The wedding reception, commencement exercise, corporate party, and discount liquidation sale all add to the quality of life in our community. The facility becomes a gathering place, the 21st century equivalent of the town hall.

Veterans Memorial plays many roles within the community and in turn is faced with a unique set of challenges. With the changing face of the public assembly industry, management needs to constantly keep its pulse on the marketplace. When a facility needs to engage multiple market segments with very different needs and trends, it becomes a complicated exercise. Just what are those trends and how do they affect Veterans Memorial?

Soaring Concert Ticket Prices Take Their Toll," a *Venues Today* headline summed up the 2004 concert industry. The summer of 2004 saw numerous concerts and shows canceling for reasons other than an artist being ill or touring conflicts. Soaring ticket prices reduced the number of shows that the public can afford to attend. According to *Venues Today*, the number one complaint by patrons was the high price of tickets. Although promoters, agents, and facility managers all agree there is a problem, there is no solution in the foreseeable future.

While existing consumer shows remain relatively strong clients, the trade show industry faces other challenges. Current national indicators point to a decrease in convention center occupancy. The industry's successful expansion encouraged many destinations to invest in convention center development and expansion, which created an excess of available space. The current conditions force all facilities and destinations to aggressively market themselves for fewer pieces of business. In other words, with fewer trade shows, convention centers and arenas must now aggressively market their space to include new and non-traditional clients. As a result, increased competitive pressures associated with greater space availability will impact facility operating revenues.

The auditorium's decreased occupancy was directly attributable to the downturn in concert activity and increased competition among facilities nationwide. The auditorium was occupied 125 days, a decrease from 152 days in 2003. David Bowie, Frankie Beverly and Maze, The Pixies, and comedian Ricky Smile, were some of the attractions hosted in 2004.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NARRATIVE OF 2004 OPERATION AND CURRENT ISSUES (Continued)

The Arnold Classic, now in its 17th year, continues to enjoy sell out crowds. Although this activity has grown over the years to occupy the Greater Columbus Convention Center, which hosts the huge trade show and other fitness demonstrations and competitions, Veterans Memorial still hosts all of the major professional contests. The auditorium is utilized for four days of pre-production, two days of bodybuilding competitions and a one-day training seminar. A few years ago, the Ms. International, Fitness International, and Figure International competitions would collectively realize 2,000 attendees during the Arnold Fitness weekend activities. Now these competitions, each presented at Vets, have become as popular as the men's Arnold Classic competitions. The North Exhibition Hall also hosts two banquets in conjunction with the Classic.

The auditorium hosted twenty-four commencements in 2004. DeVry University, Franklin University, and Columbus State Community College each graduated three classes per year. Southwestern City Schools added Central Crossing to their schedule of four commencements and Columbus Public Schools nine. Groveport Madison and Upper Arlington rounded out the June schedule.

Veterans Memorial successfully markets the auditorium to dance competitions and recitals. Previously, these clients occupied high school and college facilities. As the presenting organization's participation increased and routines become grander, additional space is required. Among such groups utilizing the facility in 2004 were Showbiz National Talent, Stage One Competitions, Star Systems Dance Competitions, Straub and Dollenmayer Dance Studios, USA Cheerleading Competitions, Central Ohio Youth Association, and the Irish Dance Association of Columbus. Two additional two-day dance competitions will be added in 2005.

The West Exhibition Hall usage remained at 98 days. The Ohio Numismatic Association held its annual show in the West Exhibition Hall during 2004 and has renewed for 2005. Super Auctions promoted a three-day slot machine sale as an adjunct to their successful arcade and pinball auctions. The India Festival organized by the Federation of Indian Associations of Central Ohio, featured exhibits promoting goods and services to those of Indian and South Asian descent. This one-day festival was held in the West Exhibition Hall and the Auditorium. Over a period of time, organizers are hoping to enlarge the event into the North Exhibition Hall.

The North Exhibition Hall was utilized 129 days, just 14 fewer days than 2003. Toughman Boxing has been hosted in the hall since 2001, but due to poor attendance, the organizers have decided to take a sabbatical from the Columbus market in 2005. The Ohio State Persian Club will not be returning to Vets or Columbus for their annual cat show. Due to financial losses associated with their 2003 show, the club decided to conduct its 2004 event in a less expensive facility in Springfield. The club is hopeful it will be in a position to return to Veterans Memorial in a few years.

A long-time client, the American Record Collectors, conducted their final show and sale on September 25, 2004. Beginning in 1979, the American Record Collectors initially held six, one-day shows annually in the Wayne Brehm Room. The show gradually grew and moved to the larger West Exhibition Hall. Over the last few years, both the number of attendees and vendors declined due primarily to the overwhelming success of the sale and purchase of such items on eBay. The show will continue in a much smaller format at a church related venue. The Ohio Construction Expo did not return in 2004. This expo, initially produced in 2003, featured the display of industrial equipment and machinery. The expo did not meet the organizers' attendance goals and financial projections. Expo Quest, a producer of job fairs and public expositions, did not produce a Fifty Plus Expo in 2004 largely due to the lack of a weekend in the first quarter suitable to the promoter.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NARRATIVE OF 2004 OPERATION AND CURRENT ISSUES (Continued)

However, there have been many positive signs over the past year. The National Model Railroad Association's annual expo returned to Veterans Memorial in 2004 after an absence of six years. This popular public show features train exhibits, vendors, and merchandise. Wendy's International's annual shareholders' meeting and luncheon was held at Veterans Memorial for the second consecutive year in 2004, occupying the Auditorium and North Exhibition Hall; they will also return in 2005.

Maximum Impact Living Leadership Conference selected Veterans Memorial as their Columbus location for a national satellite tele-conference in the Auditorium and a luncheon in the North Exhibition Hall which featured Donald Trump. The Columbus Metropolitan Library conducted a one-day staff development seminar utilizing the auditorium, West Exhibition Hall, Wayne Brehm Room, and meeting rooms. They, too, are contracted for 2005. EventCo Productions, representing charter school operators Whitehat Management, produced a one-day statewide meeting for approximately 1,200 of their associates in the Auditorium and North Exhibition Hall.

The KIA, "2004 Charging Ahead Tour" utilized the north side of the parking lot for an automobile test course and the North Exhibition Hall for seminars on two separate occasions during 2004. The Christian Home Educators of Ohio have reserved dates through 2010 for their annual June convention. This three-day event, initially hosted at Veterans Memorial in 1997, utilizes the entire facility for exhibits, seminars and nationally known speakers.

Wayne Brehm Room utilization was up to 131 days in 2004 as compared to 125 days in 2003. First-time events were varied and included: Life Skills Center charter schools commencement ceremonies, Columbus Cougars football league banquet and award ceremonies, Ohio State University College of Social Work seminars, Project Open Hand "The Dish" fundraiser, Franklin County Republican Party election rally, an employee recognition meeting, Franklin County Department of Job & Family Services, a Building Industry Association meeting, five days of Isha Yoga seminars, and, after many years absence, the Indians Springs Dance Club.

The Franklin County Court of Common Pleas and Domestic Relations/Juvenile Court contributed five of the thirty-one occupancy days in the North Hall Dining Room for a court performance standards seminar. The Committee for Dewey Stokes fundraiser, the Columbus Aids Task Force, and the Local 12 Holiday Parties all enjoyed their events in the Skylight lobby. The American Red Cross, Project Open Hand, Jobs for Ohio's Graduates, and the Collins-Farmer Wedding Reception were just some of the organizations to utilize the newly air-conditioned Memorial Room.

Veterans organizations continue to occupy the meeting rooms on a regular basis. They include the Veterans Hall of Fame Foundation monthly meetings, Columbus Stand Down, Governor's Office of Veterans Affairs, and Veterans Information Seminars.

The Franklin County Commissioners and Veterans Memorial's Board of Trustees once again entertained guests during Red White and Boom, promoting the facilities while overlooking the grand fireworks display over the Scioto River on the east terrace of the facility.

The past year was also marked with sadness as the Veterans Memorial Board of Trustees and staff mourned the sudden passing of David E. Aldstadt, President of the Board, on March 4, 2004. David was a staunch supporter of Veterans Memorial as well as all veterans. He was the former Director of the Governor's Office of Veterans Affairs under Governor Voinovich, and during his tenure, he helped create the Veterans Hall of Fame. He was a "doer" as well as a good friend and leaves a legacy as an ardent advocate of veterans causes.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

Mr. John Raphael, Vice-President of the Board was elected President to succeed Mr. Aldstadt. Veterans Memorial is appreciative of the support and counsel of President Raphael and the entire board during this difficult transition.

Veterans Memorial extends its sincere gratitude to the Franklin County Commissioners for their patronage and support of the facility. Veterans Memorial is also fortunate for the guidance provided by its board members who give unselfishly of their time and talents. The participation and support of the Commissioners and the board will be vital as management seeks new ways to aggressively market the facility.

For over fifteen years Sodexo Services has strategically partnered with Veterans Memorial to provide tasty and competitively priced food service to our mutual clients. Sodexo has assisted the facility in "raisin the bar" as it relates to guest satisfaction in addition to their enthusiastic participation in marketing the facility!

Current market trends must be translated into opportunities for Veterans Memorial over the coming months. A search is currently underway for a sales and marketing director to assist in the marketing of our truly unique facility. It is anticipated that this post will be filled during the second quarter of 2005.

Although the current economic environment has proven challenging for Veterans Memorial, our employees continue to go above and beyond the call of duty assisting clients from event booking to execution to ensure successful events. It is this attention to detail and unparalleled service that brings clients back to Veterans Memorial each year. It is this same commitment that will allow us to adapt to and succeed in the current market.

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, 2004**

Assets

Current Assets

Cash and Cash Equivalents	\$ 241,314
Receivables:	
Accounts	28,692
Prepaid items	50,996
 Total Current Assets	 321,002

Noncurrent Assets:

Capital assets:

Depreciable capital assets, net	290,221
 <i>Total Noncurrent Assets</i>	 290,221

<i>Total Assets</i>	611,223
---------------------	---------

Liabilities

Current Liabilities:

Accounts Payable	20,062
Accrued Wages	36,218
Intergovernmental Payable	69,772
Compensated Absences Payable	38,913
Deferred Revenue	92,809
 <i>Total Current Liabilities</i>	 257,774

Long-Term Liabilities

Compensated Absences Payable	325,991
------------------------------	---------

<i>Total Long-Term Liabilities</i>	325,991
------------------------------------	---------

<i>Total Liabilities</i>	583,765
--------------------------	---------

Net Assets

Invested in Capital Assets	290,221
Unrestricted	(262,763)

<i>Total Net Assets</i>	\$ 27,458
-------------------------	-----------

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, 2004**

Operating Revenues	
Charges for services	\$ 1,895,616
<i>Total Operating Revenues</i>	<u>1,895,616</u>
Operating Expenses	
Salaries	1,129,002
Fringe benefits	412,092
Purchased services	522,414
Materials and supplies	121,306
Repairs and maintenance	105,859
Depreciation	43,856
Other	81,289
<i>Total Operating Expenses</i>	<u>2,415,818</u>
<i>Operating (Loss)</i>	<u>(520,202)</u>
Non-Operating Revenue	
Interest	<u>3,319</u>
<i>Total Non-Operating Revenue</i>	<u>3,319</u>
<i>Loss before Contributions</i>	(516,883)
Contributions	<u>291,518</u>
<i>Change in Net Assets</i>	(225,365)
<i>Net Assets Beginning of Year</i>	<u>252,823</u>
<i>Net Assets End of Year</i>	<u><u>\$ 27,458</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, 2004**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 1,917,302
Cash Payments to Employees for Services	(1,112,787)
Cash Payments to Employee Benefits	(409,067)
Cash Payments for Goods and Services	<u>(846,079)</u>
<i>Net Cash Used by Operating Activities</i>	<u>(450,631)</u>
Cash Flows from Non-Capital Financing Activities	
Cash Received from Primary Government	<u>291,518</u>
<i>Net Cash Provided by Non-Capital Financing Activities</i>	<u>291,518</u>
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	<u>(39,736)</u>
<i>Net Cash (Used in) Capital and Related Financing Activities</i>	<u>(39,736)</u>
Cash Flows from Investing Activities	
Interest Received from Investments	<u>3,319</u>
<i>Net Cash Provided by Investing Activities</i>	<u>3,319</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(195,530)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>436,844</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 241,314</u></u>

**Reconciliation of Operating Loss to Net Cash
Used by Operating Activities**

Operating loss	\$ (520,202)
Adjustments:	
Depreciation	43,856
(Increase) decrease in assets:	
Accounts receivable	26,537
Prepaid items	2,581
Increase (decrease) in liabilities:	
Accounts payable	(35,100)
Accrued wages	6,009
Compensated absences payable	11,994
Deferred revenue	(4,850)
Intergovernmental payable	<u>18,544</u>
<i>Net Cash Used by Operating Activities</i>	<u><u>\$ (450,631)</u></u>

Non-Cash Activities

In-Kind Contributions for space provided to Veterans Service Commissioner were \$188,620

See accompanying notes to the basic financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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 (2003, and 2004), 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. The Memorial is a component unit of Franklin County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

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

Measurement Focus

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

Basis of Accounting

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

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

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

Cash and Cash Equivalents

During 2004, 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, 2004. Interest earned is reported as non-operating revenues in the amount of \$3,319.

For presentation on the financial statements, monies included within the cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004 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.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

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

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

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-term Obligations

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

Net Assets

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

There are no restricted net assets externally imposed.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

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

Contributions

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

The Memorial received a \$291,518 contribution from Franklin County.

Contributions of Capital

Contributions of capital arise from outside contributions of capital assets or from outside contributions of resources restricted to capital acquisition and construction. The Memorial did not have any contributions of capital during 2004.

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 \$63,219 and the bank balance was \$65,013. The entire bank balance was covered by federal depository insurance.

Investments of the Memorial as of December 31, 2004 consisted of Star Ohio. At year-end, the fair value of the Memorial's investment was \$176,895. Star Ohio's maturity in years was .003.

Interest Rate Risk – The Memorial has no policy limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The investments in Star Ohio are rated AAAM by Standard & Poor's. The Memorial places no limit on the amount that may be invested in any one issuer.

4. ACCOUNTS RECEIVABLE

Receivables at December 31, 2004 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 \$845.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

5. CAPITAL ASSETS

Reconciliation of beginning and ending balances for the year ended December 31, 2004

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Leasehold Improvements			
Buildings	\$ 745,100	\$ 21,451	\$ 766,551
Leasehold Improvements			
North Hall	20,157	0	20,157
Equipment	1,585,419	9,975	1,595,394
Vehicles	29,619	0	29,619
Furniture and Fixtures	279,186	8,310	287,496
Cafeteria Equipment	340,497	0	340,497
Subtotal	<u>2,999,978</u>	<u>39,736</u>	<u>3,039,714</u>
Less: Accumulated Depreciation	<u>(2,705,637)</u>	<u>(43,856)</u>	<u>(2,749,493)</u>
Net Capital Assets	<u>\$ 294,341</u>	<u>\$ (4,120)</u>	<u>\$ 290,221</u>

6. RISK MANAGEMENT

The Memorial is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2004, 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	\$37,771,000	\$2,500
Terrorism limit	Included above	Included above
Business income and extra Expense	1,000,000	24 hours*
Automobile	1,000,000	Deductible varies
Crime (employee, forgery, money inside and outside, and non-compensated Employees)	50,000	500
Boiler and machinery	5,000,000	1,000 – 2,500
Other boiler coverage	25,000 – 1,250,000	24 hours *
General liability	1,000,000 – 2,000,000	No deductible
Umbrella	15,000,000	No deductible

* Policy holder incurs losses for the first 24 hours

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

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, 2004 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, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Memorial's contribution rate for pension benefits for 2004 was 9.55 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, 2004, 2003, and 2002 were \$270,439, \$266,117, and \$ 256,925 respectively; 100 percent has been contributed for 2003 and 2002. As of December 31, 2004, an intergovernmental payable of \$25,944 represents the remaining 2004 unpaid portion.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

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 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 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, 2003, 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 1.00% to 6.00% annually for the next eight years and 4 percent annually after eight years.

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 369,885. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$49,046. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In September 9, 2004, the Board adopted the Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care cost.

10. COMPENSATED ABSENCES

Franklin County Veterans Memorial employees earn vacation leave at various rates ranging from two to five weeks per year based upon years of service. Sick leave is accumulated at the rate of three weeks per year. Vacation pay is vested after one year and sick pay is generally vested after eight years of service. Vested vacation and sick leave are recorded as expense when earned. The liability below represents amounts as of December 31, 2004 that was due to employees upon retirement or termination of their employment. Of this amount, \$38,913 is expected to be paid within one year.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

10. COMPENSATED ABSENCES (Continued)

Changes in Long-Term Liabilities for the year ended December 31, 2004

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated Absences	\$ 352,910	\$ 48,202	\$ (36,208)	\$ 364,904

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 liabilities from specifically identified current assets.

There was no amount due for 2004. The computation is as follows:

	2004
Specifically identified assets in excess of liabilities	\$ (262,763)
Reserve amount to be retained	(250,000)
Reserve fund deficit	\$ <u>(512,763)</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 2004 these two items constituted 61% of operating revenues.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the basic financial statements of Franklin County Veterans Memorial, Franklin County, Ohio, (the Memorial), a component unit of Franklin County, as of and for the year ended December 31, 2004, and have issued our report thereon dated May 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Memorial's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 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 2004-002 through 2004-004.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable conditions described above are material weakness. In a separate letter to the Memorial's management dated May 16, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Memorial's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Memorial's management dated May 16, 2005, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

May 16, 2005

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

Finding Number	2004-001
-----------------------	-----------------

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.

Ninety-one of one hundred sixty-three parking receipts and three of thirty booking receipts with dollar amounts ranging from \$25 to \$2,629 were deposited to the bank two to four days after collection.

We recommend the Memorial adopt a policy that requires receipts that exceed \$1,000 to be deposited daily. For receipts less than \$1,000, we recommend the receipts are deposited within three business days of collection and are properly safeguarded during that period of time. After hours or special event receipts should be deposited into a bank night depository.

Finding Number	2004-002
-----------------------	-----------------

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 that are 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 to prevent one individual from being involved in all accounting functions. The employee responsible for receipting should not also be responsible for depositing. The employee responsible for reconciling the bank account to the general ledger should not also be responsible for inputting transactions into the computer system or 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. The above activities should be monitored by management as referred to in finding number 2004-004.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)**

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

Finding Number	2004-003
-----------------------	-----------------

Bank Deposits

The Memorial had bank deposits ranging from \$50 to \$64,000 from January 2004 through May 2004 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. In May of 2004, the Memorial began taking steps to ensure source documentation is maintained and supports the Daily Deposit Record.

Finding Number	2004-004
-----------------------	-----------------

Developing and Implementing an Effective Monitoring Control System

There was no indication that there were effective monitoring controls in place by management. 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.

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. The controls should consist of:

- 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 (the form) should be prepared and presented to the Board of Trustees for review. The form should document 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.

To help prevent potential mis-use of funds and ensure accounts receivables are adequate, the form should be periodically compared to the accounts receivable listing and collections deposited.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Receipts were not deposited timely.	No	Repeat finding.
2003-002	Segregation of duties.	No	Repeat finding.
2003-003	Lack of deposit support.	No, partially corrected	Repeat finding.
2003-004	Lack of Parking Lot monitoring.	No, partially corrected	Repeat finding for management letter.
2003-005	Lack of Revenue Recognition.	Yes	Corrected.
2003-006	Lack of an Effective Monitoring control system.	No	Repeat finding.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FRANKLIN COUNTY VETERANS MEMORIAL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 21, 2005**