

***Franklin Park
Conservatory Joint
Recreation District***

*Financial Statements for the Years
Ended December 31, 2004 and 2003
and Independent Auditors' Reports*



**Auditor of State
Betty Montgomery**

Board of Directors
Franklin Park Conservatory Joint Recreation District
Columbus, Ohio

We have reviewed the *Independent Auditor's Report* of the Franklin Park Conservatory Joint Recreation District, Franklin County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Franklin Park Conservatory Joint Recreation District is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

August 30, 2005

This Page is Intentionally Left Blank.

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003:	
Statements of Net Assets	9
Statement of Financial Position—Component Unit	10
Statements of Revenues, Expenses, and Changes in Net Assets	11
Statement of Revenues, Expenses, and Changes in Net Assets—Component Unit	12
Statements of Cash Flows	13
Statement of Net Assets—Agency Fund	14
Notes to Financial Statements	15-24
ADDITIONAL INFORMATION—	25
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	26

This Page is Intentionally Left Blank.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Franklin Park Conservatory Joint Recreation District:

We have audited the accompanying statements of net assets of the Franklin Park Conservatory Joint Recreation District (the "Conservatory") as of December 31, 2004 and 2003, and the related statements of revenues, expenses, and changes in net assets, cash flows, and statement of net assets—agency fund, for the years then ended. These financial statements are the responsibility of the Conservatory's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the statement of financial position of the Franklin Park Conservatory Women's Sustaining Board as of December 31, 2004 and the related statement of revenues, expenses, and changes in net assets for the year then ended. Those financial statements were audited by others whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Franklin Park Conservatory Women's Sustaining Board, is based solely on the report of other auditors.

We conducted our audits 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 respective financial statements are free of material misstatement. The financial statements of Franklin Park Conservatory Women's Sustaining Board were not audited in accordance with *Government Auditing Standards*, but were audited in accordance with auditing standards generally accepted in the United States of America. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conservatory's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, in fiscal year 2004, the Conservatory adopted Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Conservatory as of December 31, 2004 and 2003, and their respective changes in net assets and their cash flows for the years then ended, and the respective financial position of the Franklin Park Conservatory Women's Sustaining Board as of December 31, 2004 and their respective changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 to 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Conservatory's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2005 on our consideration of the internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Deloitte + Touche LLP".

April 12, 2005

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (“MD&A”) section of the Franklin Park Conservatory Joint Recreation District’s (the “Conservatory”) financial report represents a discussion and analysis of the Conservatory’s financial performance during the fiscal years ended December 31, 2004 and 2003. Please read it in conjunction with the Conservatory’s financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Conservatory accounts for all transactions under a single enterprise fund and the financial statements are prepared using proprietary fund (enterprise fund) accounting. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used. Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. These are followed by notes to the financial statements.

The Statement of Net Assets presents information on the assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Conservatory is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets reports the operating revenues and expenses and non-operating revenue and expenses of the Conservatory for the fiscal year with the difference being combined with any capital contributions to determine the change in net assets for the fiscal year.

The Statement of Cash Flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year’s cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

The Statement of Net Assets—Agency Fund is used to account for resources held for the benefit of parties outside the Conservatory. This statement is not reflected in the Statement of Net Assets, the Statement of Revenue, Expenses and Changes in Net Assets or the Statement of Cash Flows as the resources of the fund is not available to support the Conservatory’s own programs.

FINANCIAL HIGHLIGHTS

- With the Chihuly Exhibition continuing through June, 2004 became another record-breaking year. Paid attendance increased 70% or approximately 82,000 visitors over 2003.
- The donations and grants income area increased 35% or approximately \$438,000 over 2003.
- The Conservatory has continued its commitment to and participation in WOW!, a collaborative of six botanical gardens in North America. The purpose of this collaborative is to develop major blockbuster traveling exhibitions for botanical gardens. The Conservatory plans to open WOW's first exhibition in Fall, 2005.
- Total revenue increased 24.2% or \$1,004,000 over 2003 while governmental support from the City of Columbus decreased by approximately \$151,000.
- The Conservatory was issued a liquor license in September 2003. 2004 revenues from the facility rental area increased by 38% or \$171,000 largely because of the additional income from liquor sales.
- Growing to Green, the Conservatory's community gardening program, now serves over 60 community gardens in Columbus.
- Conservatory member households increased from approximately 5,000 in 2003 to 6,900 in 2004.
- 50,000 visitors participated in educational classes, workshops and group tours.
- 5,000 hours were donated in 2004 by volunteers working in the indoor plant collection, at the plant production facility and in the botanical garden, a savings of \$80,000 in labor costs.
- A Master Plan Advisory Committee was organized to review the original comprehensive Master Plan developed in 2000. The Committee will also establish phasing priorities and provide advice to the design and development of these priorities.
- The Conservatory conducted a feasibility study to determine the probability of success in implementing the phasing priorities of the Master Plan.
- *Chapungu—Stories in Stone* was the Fall Exhibition at the Conservatory. This 50-piece exhibition was the most successful to date in presenting opportunities to collaborate with area cultural organizations.

Financial Position

The following summarizes the Conservatory's financial position as of December 31, 2004, 2003 and 2002:

	2004	2003	2002
ASSETS:			
Current assets	\$ 1,426,629	\$ 832,042	\$ 508,562
Capital assets	4,911,515	5,134,190	5,351,532
Other noncurrent assets	<u>245,138</u>	<u>213,329</u>	<u>179,231</u>
Total assets	<u>\$ 6,583,282</u>	<u>\$ 6,179,561</u>	<u>\$ 6,039,325</u>
LIABILITIES:			
Current liabilities	\$ 1,323,514	\$ 841,221	\$ 451,881
Noncurrent liabilities	<u>81,035</u>	<u>85,811</u>	<u>93,292</u>
Total liabilities	1,404,549	927,032	545,173
NET ASSETS:			
Investment in capital assets, net of related debt	4,911,515	5,133,840	5,347,296
Restricted assets	1,049,017	279,239	321,149
Unrestricted net assets	<u>(781,799)</u>	<u>(160,550)</u>	<u>(174,293)</u>
Total net assets	<u>5,178,733</u>	<u>5,252,529</u>	<u>5,494,152</u>
Total liabilities and net assets	<u>\$ 6,583,282</u>	<u>\$ 6,179,561</u>	<u>\$ 6,039,325</u>

Capital Assets—During fiscal year 2004, the Conservatory expended \$104,535 on capital assets. Purchasing a new truck (\$13,205) eliminated mounting repair bills and allowed the security force to continue to patrol the entire park. As the Conservatory continued to grow, many older computers were replaced with new computers and also additional software was purchased (\$10,259). To increase Palm House rentals in the warm summer months, portable air conditioning units were purchased (\$9,597). Emergency power outlets were added to key areas of the building (\$10,131). 2004 was the 10th anniversary of the Butterfly Exhibit and the butterflies were here from March through August. Since windows must be open during the summer, screens were added to keep the butterflies inside (\$15,566). A security wand system was purchased to improve the protection of the facility (\$4,398). The gift shop renovation was another highlight of 2004 (\$41,379).

Current Liabilities—During 2004, the Conservatory drew on their revolving credit agreement. At December 31, 2004 the amount outstanding on the line of credit was \$438,000.

Long-Term Liabilities—At December 31, 2004 and 2003, the Conservatory had long-term liabilities of \$81,035 and \$85,811, respectively, which is composed of accrued vacation and sick leave.

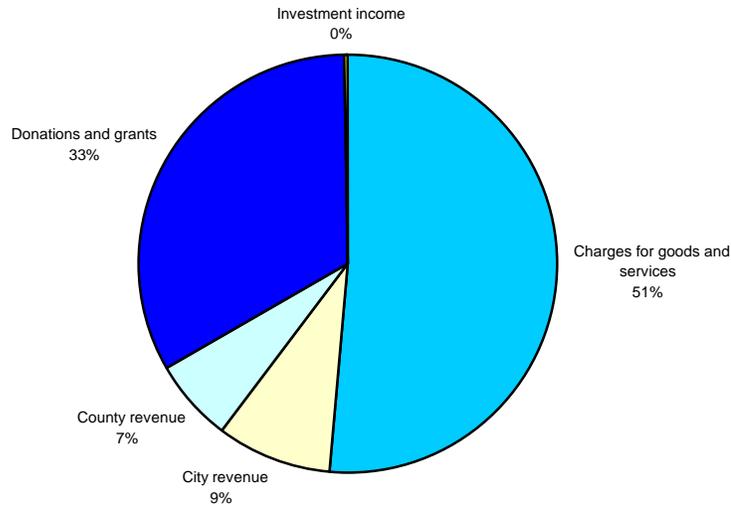
Net Assets—The Conservatory's assets exceeded liabilities by \$5.2 million. The largest portion of the Conservatory's net assets each year (\$4.9 million or 94.8% at December 31, 2004) represents its investment in capital assets, less related debt outstanding used to acquire those capital assets. The Conservatory uses these assets to provide services to its visitors; consequently, these assets are not available for future spending.

An additional portion of the Conservatory's net assets represents resources that are subject to restrictions as follows: Friends of the Conservatory \$834,169, an endowment fund held at the Columbus Foundation \$160,798, an endowment fund from Annie's Fund for the Creative Arts of \$50,476, and an endowment for the Master Plan Gateway Fund of \$3,574. The deficiency in unrestricted net assets increased from the prior year. The fluctuation is due to changes in revenue and expenses as described below.

Financial Information

Revenue

The following chart shows the major sources of revenue for the year ended December 31, 2004.



The following schedule presents a summary of revenues for the fiscal years ended December 31, 2004, 2003 and 2002.

	2004	2003	2002
Operating Revenues:			
Charges for goods and services	\$ 2,596,945	\$ 1,867,069	\$ 1,318,600
Non-operating Revenues:			
City revenue	452,693	603,591	900,894
County revenue	331,000	315,000	354,000
Donations and grants	1,672,173	1,233,862	742,761
Investment income	8,181	21,518	3,982
	<u> </u>	<u> </u>	<u> </u>
Total revenue	<u>\$ 5,060,992</u>	<u>\$ 4,041,040</u>	<u>\$ 3,320,237</u>

Revenue for 2004 increased 25.2% from the previous year. The increase is largely the result of increases in operating revenues and donations and grants. The City of Columbus decreased its support by 25% or \$150,898. The decrease is mainly due to the increasing budget cuts experienced at the City level. Including capital contributions of \$84,000, the total County revenue remained consistent with 2003.

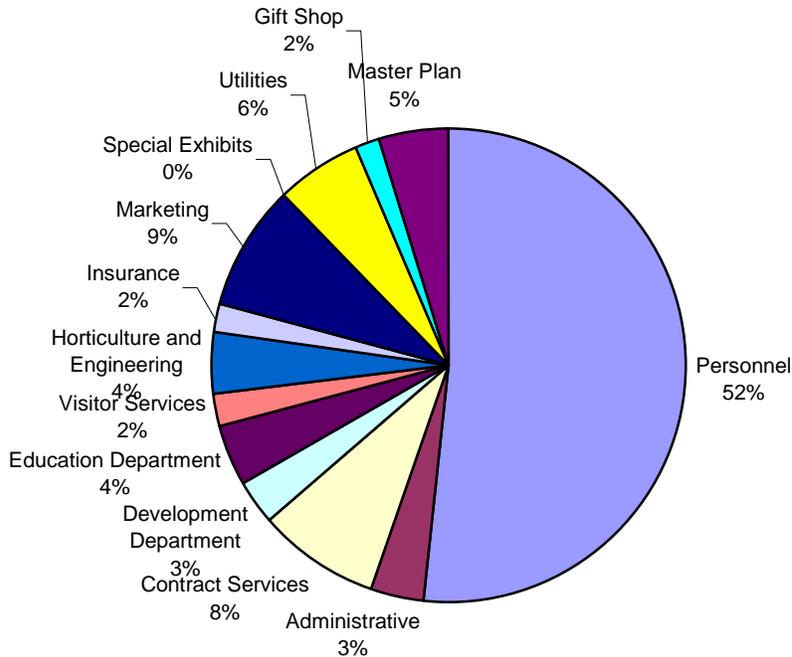
Charges for services revenues increased 39%. Our largest increase came in the general admissions category. Sales in this area increased \$493,700 over 2003, an increase of 69.6%. Admissions are made up of individual ticket sales and group sales. Individual ticket sales increased by 79.8% over 2003, and group sales increased by 21.3%. Donations and grants increased 35.5% or \$438,311 over 2003. This increase is mainly due to funds donated to Friends of the Conservatory for the Chihuly project. Membership sales increased 27.7% or \$68,401. The facility rental income area increased 35% or \$171,000 over 2003.

The gift shop was remodeled in September. As result of the Chihuly Exhibition and the remodeled shop, sales continued to grow in 2004. Sales for 2004 were 46% or \$285,000 greater than 2003.

Due to decreases in governmental funding, we continue to develop ways to increase our income within the Conservatory. This is an area where income opportunities exist and we continually focus on growth in this area.

Expenses

The following chart shows the major categories of operating expenses for the year ended December 31, 2004.



The following schedule presents a summary of expenses for the fiscal years ended December 31, 2004, 2003 and 2002:

	2004	2003	2002
Personnel	\$ 2,533,788	\$ 2,191,998	\$ 2,045,167
Administrative	168,420	107,328	85,953
Contract services	412,987	285,851	98,670
Development	141,167	492,675	296,002
Education/Interpretive	212,564	53,394	36,428
Visitor Services	100,652	142,187	146,590
Horticulture and engineering	211,962	220,640	163,536
Insurance	91,115	72,109	61,414
Marketing	419,953		
Special exhibits		118,191	101,146
Utilities	282,587	294,954	184,261
Gift shop	88,746	74,266	29,061
Master plan	227,637		
Other			198
Total operating expenses	<u>\$ 4,891,578</u>	<u>\$ 4,053,593</u>	<u>\$ 3,248,426</u>

Expenses increased by 20.7% over 2003. However, \$227,637 of the total expenses were directly related to the Master Plan project. A feasibility study was conducted, surveys were done and architects were consulted.

Personnel expenses were up 15.6% in 2004. Due to the large crowds, additional personnel were added in many departments. After the Chihuly Exhibition closed personnel costs decreased.

Administrative expenses also increased as a result of larger crowds and additional members. Increased bank charges resulted from visitors using bankcards. Postage expense increased as the number of members grew.

In the Interpretive Department, \$22,200 was spent on an interpretive plan of the permanent plant collections. Grant income covered the cost of this expense. Also in this area, professional movers were brought in to install the Chapungu Exhibition at a cost of \$17,000.

Insurance costs increased when the Chihuly Exhibit was extended.

Marketing expenses increased in 2004 as a result of having two large exhibits.

Utility expenses decreased in 2004. In an effort to reduce rates, a natural gas contract was entered into in 2003 and savings were seen in 2004.

Gift shop expenses increased as a result of the increase in sales and the addition of a design consultant.

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

STATEMENTS OF NET ASSETS DECEMBER 31, 2004 AND 2003

ASSETS	2004	2003
CURRENT ASSETS:		
Cash and cash equivalents	\$ 126,885	\$ 328,000
Restricted cash and cash equivalents	72,020	39,468
Restricted investments	834,169	86,006
Receivables	143,997	131,894
Prepays	160,531	184,799
Inventory	<u>89,027</u>	<u>61,875</u>
Total current assets	<u>1,426,629</u>	<u>832,042</u>
NON-CURRENT ASSETS:		
Capital assets	8,371,197	8,266,662
Accumulated depreciation	<u>(3,459,682)</u>	<u>(3,132,472)</u>
Total capital assets—net of accumulated depreciation	4,911,515	5,134,190
Other non-current assets	<u>245,138</u>	<u>213,329</u>
Total non-current assets	<u>5,156,653</u>	<u>5,347,519</u>
TOTAL	<u>\$ 6,583,282</u>	<u>\$ 6,179,561</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 586,889	\$ 416,233
Deferred revenue	28,805	12,021
Customer deposits	209,732	176,051
Accrued expenses	60,088	60,566
Note payable	438,000	176,000
Current obligation under capital lease	<u> </u>	<u>350</u>
Total current liabilities	<u>1,323,514</u>	<u>841,221</u>
NON-CURRENT LIABILITIES:		
Accrued vacation and sick	<u>81,035</u>	<u>85,811</u>
Total non-current liabilities	<u>81,035</u>	<u>85,811</u>
Total liabilities	<u>1,404,549</u>	<u>927,032</u>
NET ASSETS:		
Invested in capital assets—net of related debt	<u>4,911,515</u>	<u>5,133,840</u>
Restricted:		
Columbus Foundation	160,798	154,688
Expendable endowments	<u>888,219</u>	<u>124,551</u>
Total restricted net assets	<u>1,049,017</u>	<u>279,239</u>
Unrestricted net assets (deficiency)	(781,799)	(160,550)
Total net assets	<u>5,178,733</u>	<u>5,252,529</u>
TOTAL	<u>\$ 6,583,282</u>	<u>\$ 6,179,561</u>

See notes to financial statements.

FRANKLIN PARK CONSERVATORY WOMEN'S SUSTAINING BOARD

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2004

ASSETS

CURRENT ASSETS:

Cash	\$ 17,606
Accounts receivables	3,000
Related party receivable	<u>2,500</u>

TOTAL \$ 23,106

LIABILITIES AND NET ASSETS

NET ASSETS—

Unrestricted net assets 23,106

Total net assets 23,106

TOTAL \$ 23,106

See notes to financial statements.

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
OPERATING REVENUES—Charges for goods and services	<u>\$ 2,596,945</u>	<u>\$ 1,867,069</u>
OPERATING EXPENSES:		
Personnel	2,533,788	2,191,998
Administrative	168,420	107,328
Contract services	412,987	285,851
Development	141,167	492,675
Education/interpretive	212,564	53,394
Visitor Services	100,652	142,187
Horticulture and engineering	211,962	220,640
Insurance	91,115	72,109
Marketing	419,953	
Special exhibits		118,191
Utilities	282,587	294,954
Gift shop	88,746	74,266
Master Plan	<u>227,637</u>	
Total operating expenses	<u>4,891,578</u>	<u>4,053,593</u>
OPERATING LOSS BEFORE DEPRECIATION	(2,294,633)	(2,186,524)
DEPRECIATION	<u>327,210</u>	<u>329,070</u>
OPERATING LOSS	<u>(2,621,843)</u>	<u>(2,515,594)</u>
NON-OPERATING REVENUE:		
Intergovernmental:		
City	452,693	603,591
County	331,000	315,000
Donations and grants	1,672,173	1,233,862
Investment income	<u>8,181</u>	<u>21,518</u>
Total non-operating revenue	<u>2,464,047</u>	<u>2,173,971</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(157,796)	(341,623)
CAPITAL CONTRIBUTIONS	<u>84,000</u>	<u>100,000</u>
CHANGES IN NET ASSETS	(73,796)	(241,623)
NET ASSETS—Beginning of year	<u>5,252,529</u>	<u>5,494,152</u>
NET ASSETS—End of year	<u>\$ 5,178,733</u>	<u>\$ 5,252,529</u>

See notes to financial statements.

**FRANKLIN PARK CONSERVATORY
WOMEN'S SUSTAINING BOARD**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2004**

REVENUE AND SUPPORT:

Gardeners' fair	\$ 234,743
Member dues:	
Active	12,000
Sustainer	6,260
Contributions	5,465
Other	875
Interest	<u>117</u>
 Total revenue and support	 <u>259,460</u>

EXPENSES:

Donations to Franklin Park Conservatory	146,000
Gardeners' fair	104,759
Dues	6,315
Roster	2,111
Database	1,935
Meetings	956
New members	891
Newsletter	839
Miscellaneous	<u>749</u>
 Total operating expenses	 <u>264,555</u>

CHANGES IN NET ASSETS (5,095)

NET ASSETS:

Beginning of year	<u>28,201</u>
 End of year	 <u>\$ 23,106</u>

See notes to financial statements.

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,584,842	\$ 1,788,446
Cash paid to employees	(2,521,664)	(2,233,369)
Cash paid to others	<u>(2,152,155)</u>	<u>(1,795,186)</u>
Net cash used in operating activities	<u>(2,088,977)</u>	<u>(2,240,109)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received from governmental entities	783,693	918,591
Cash received from loans	262,000	261,000
Cash received from donations and grants	<u>1,672,173</u>	<u>1,233,862</u>
Cash provided by non-capital financing activities	<u>2,717,866</u>	<u>2,413,453</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property, plant, and equipment	(104,535)	(111,728)
Contributed capital	84,000	100,000
Membership payments to WOW!	(26,400)	(24,200)
Payments on capital lease obligations	<u>(350)</u>	<u>(3,536)</u>
Net cash used in capital and related financing activities	<u>(47,285)</u>	<u>(39,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends received on cash and investments	6,761	3,797
Purchase of investments	(832,072)	(162,305)
Sale of investments	<u>75,144</u>	<u>134,890</u>
Net cash used in investing activities	<u>(750,167)</u>	<u>(23,618)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(168,563)	110,262
CASH AND CASH EQUIVALENTS—Beginning of year	<u>367,468</u>	<u>257,206</u>
CASH AND CASH EQUIVALENTS—End of year (including restricted cash of \$72,020 and \$39,468 in 2004 and 2003, respectively)	<u>\$ 198,905</u>	<u>\$ 367,468</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$(2,621,843)	\$(2,515,594)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	327,210	329,070
(Increase) decrease in assets:		
Accounts receivable	(12,103)	(78,623)
Prepays	24,268	(171,600)
Inventory	(27,152)	(20,238)
Increase (decrease) in liabilities:		
Accounts payable	170,656	286,309
Deferred revenue	16,784	1,087
Customer deposits	33,681	(29,149)
Accrued expenses	<u>(478)</u>	<u>(41,371)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$(2,088,977)</u>	<u>\$(2,240,109)</u>

See notes to financial statements.

**FRANKLIN PARK CONSERVATORY
JOINT RECREATION DISTRICT**

**STATEMENT OF NET ASSETS—AGENCY FUND
DECEMBER 31, 2003**

ASSETS

CURRENT ASSETS:

Restricted cash	\$ 55,098
Deposit with contractor	<u>149,572</u>

TOTAL	<u>\$ 204,670</u>
-------	-------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Liabilities—Deposits due to WOW!	\$ 204,670
----------------------------------	------------

Net assets	<u> </u>
------------	-----------------------------

TOTAL	<u>\$ 204,670</u>
-------	-------------------

See notes to financial statements.

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2004 AND 2003

1. REPORTING ENTITY

The City of Columbus (the “City”) and Franklin County (the “County”) agreed in 1990 to establish the Franklin Park Conservatory Joint Recreation District (the “Conservatory”) pursuant to the authority contained in Section 755.14 (B) of the Ohio Revised Code (“ORC”) upon the conclusion of Ameriflora 1992, Inc.’s horticulture exposition held at Franklin Park Conservatory. The original agreement allows the Conservatory to exist for a term of 40 years ending August 31, 2032. However, the City and County may renew and extend the agreement for additional successive terms of 10 years, with the title to the Conservatory’s assets reverting back to the City at the end of the agreement.

The Conservatory is governed by a 17-member board, eight of whom shall be appointed by the City of Columbus’ Mayor subject to confirmation by the City Council and six appointed by Franklin County. Additionally, the Governor, the Speaker of the House of Representatives, and the President of the Senate of the State of Ohio shall each appoint one member to the Conservatory board. State appointed members are non-voting members if they also serve as members of the Ohio General Assembly; no member presently serves both roles.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the Conservatory is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit’s board and either (i) the Conservatory’s ability to impose its will over a component unit, or (ii) the possibility that the component unit will provide a financial benefit or impose a financial burden on the Conservatory. On that basis, the reporting entity of the Conservatory includes the Friends of the Conservatory as a blended component unit.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14* (“GASB 39”) and implemented by the Conservatory effective January 1, 2004, further clarifies that certain organizations warrant an inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including ongoing financial support of the primary government. The Conservatory has determined that the Franklin Park Conservatory Women’s Sustaining Board meets this definition and is therefore included as a discretely presented component unit in the Conservatory’s financial statements for the year ended December 31, 2004.

Friends of the Conservatory—In July 1999, the Conservatory created Friends of the Conservatory (“Friends”), a separate legal not-for-profit corporation, in accordance with section 501(c)(3) of the Internal Revenue Code, to support the common good of the general public through the support and assistance of and cooperation with the Conservatory. Although it is legally separate from the Franklin Park Conservatory, Friends of the Conservatory is reported as if it were part of the primary government because its sole purpose is to promote the Conservatory and raise capital and solicit funds in support of the Conservatory.

Franklin Park Conservatory Women’s’ Sustaining Board—In 1984, the Franklin Park Conservatory Women’s Sustaining Board (the “Women’s Board”), was organized to create awareness of the Conservatory, to provide support to the Conservatory and to broaden the base of support in the community for the Conservatory. The Women’s Board is a legally separate not-for-profit organization in accordance with section 501(c)(3) of the Internal Revenue Code, and its financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board Statements and Interpretations. The Women’s Board is considered a discretely presented component unit of the Conservatory under GASB 39.

WOW! Collaborative—In 2002, Franklin Park Conservatory became a member of the WOW! Collaborative. Five conservatories and botanical gardens joined together to create traveling exhibitions. During the year this group met several times and hired a designer to design the traveling exhibit. The Conservatory was holding all assets of WOW! until it became a separate legal entity. These assets were held in a separate agency fund. Agency funds are custodial in nature and do not involve measurement of results of operations. During 2004, WOW! was incorporated as a separate legal entity, the WOW! Collaborative, and the Conservatory transferred all assets of WOW! to the WOW! Collaborative.

Joint Venture—The arrangement between the City and the County establishing the Conservatory possesses the characteristics of an entity classified as a joint venture. The City contributed certain fixed assets to the Conservatory at the time of its inception and both the City and County have historically agreed to annual operating subsidies. In 2004 and 2003, the subsidies totaled \$867,693 and \$1,018,591, respectively. This represents 17% and 25%, respectively, of the Conservatory’s 2004 and 2003 revenue. In the event of the Conservatory’s liquidation, its assets will be transferred to the City. Based on the above, the Conservatory is a joint venture between the City and the County. Future capabilities of the Conservatory to operate at current service levels are dependent upon annual operating subsidiaries from the City and the County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Conservatory have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. The Conservatory’s significant accounting policies are described below.

Basis of Accounting—The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenue from charges for services are reported as operating revenues. Transactions, which are capital, financing, or investment related, are reported as non-operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies, and other miscellaneous expenses are reported as operating expenses.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Conservatory follows GASB

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

Cash and Cash Equivalents—For the purposes of the statement of cash flows, the Conservatory considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments—In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Conservatory records all its investments at fair value, as required by the Statement.

Inventory—Inventories are valued at cost using the first-in, first-out method.

Plant Collection—The Conservatory does not capitalize their plants. They are expensed as purchased. The plant collection is held for public exhibition and education, is protected, kept unencumbered, cared for, and preserved and is subject to a Conservatory policy that requires proceeds from sales of the plant collection be used to acquire other plant collections.

Capital Assets—Capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The Conservatory capitalizes all assets over \$2,500. The Conservatory does not possess any infrastructure. Depreciation has been provided, where appropriate, on a straight-line basis over the estimated useful lives ranging from 3 to 30 years. For 2004 and 2003, there were no capitalized interest costs.

Compensated Absences—The Conservatory follows GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued for vacation and sick leave if it is probable that the employee will be compensated through a cash payment. However, beginning January 1, 2003, vacation and sick leave earned during the year cannot be carried over to the following year. Vacation and sick leave earned prior to 2003 is available to use and an accrual has been recorded.

Long-Term Obligations—Capital leases are recognized as a liability.

Budgetary Accounting and Control—The Conservatory's annual budget is prepared on the accrual basis of accounting and approved by the Board of Directors. The budget includes anticipated amounts for current year revenues and expenses as well as new capital projects.

The Conservatory maintains budgetary control by not permitting total operating expenses and expenditures for individual programs to exceed their respective budget amounts without the appropriate approvals. All budget amounts lapse at year end.

New Accounting Standards Not Yet Implemented—In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB No. 3*, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The standard is effective for periods beginning after June 15, 2004. The Conservatory has not completed an analysis of the impact of this statement on its reported financial statements.

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The standard is effective for periods beginning after December 15, 2004. The Conservatory has not completed an analysis of the impact of this standard on its reported financial statements.

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Legislation an amendment of GASB Statement No. 34*, which requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The standard is effective for periods beginning after June 15, 2005. The Conservatory has not completed an analysis of the impact of this standard on its reported financial statements.

3. CASH AND INVESTMENTS

Cash and Cash Equivalents—The investment and deposit of the Conservatory’s monies are governed by the provisions of the Ohio Revised Code (“ORC”). In accordance with these statutes, the Conservatory is authorized to invest in United States and State of Ohio bonds, notes and other obligations, bank certificates of deposit, banker acceptances, commercial paper notes rated prime and issued by United States corporations, repurchase agreements secured by United States obligations, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a-7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on December 31, 2004.

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Conservatory’s name.

Deposits with Financial Institutions—At year-end, the carrying amount of the Conservatory’s deposits with financial institutions was \$197,971 and the total bank balance was \$224,024, with the difference being mainly to outstanding checks. Based upon criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*, \$201,662 of the bank balance was covered by deposit insurance provided by the FDIC; and \$22,362 was uncollateralized (“Category 3”) as defined by the GASB.

Investments—The Conservatory’s entire investment balance of \$934 and \$922 at December 31, 2004 and 2003, respectively, is invested in STAROhio and is not required to be categorized due to the fact that it does not exist in physical or book entry form.

Friends of the Conservatory—Friends of the Conservatory’s investments are categorized to give an indication of the level of risk assumed by the Friends of the Conservatory. Category 1 includes investments that are insured or registered or for which the securities are held by the Friends of the Conservatory or its agent in the Friends of the Conservatory’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the Friends of the Conservatory’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent and not in the Friends of the Conservatory’s name.

	Category 2	Fair Value
U.S. treasury and agency	\$ 732	\$ 732
Money market and mutual funds	<u>833,437</u>	<u>833,437</u>
Total investments	<u>\$ 834,169</u>	<u>\$ 834,169</u>

4. CAPITAL ASSETS

A summary of the changes in capital assets for the fiscal year follows:

	Balance December 31, 2003	Additions	Disposals/ Deletion	Balance December 31, 2004
Capital assets:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Buildings	6,980,580			6,980,580
Building improvements	759,772	67,075		826,847
Equipment and fixtures	375,208	24,255		399,463
Vehicles	<u>51,102</u>	<u>13,205</u>	<u> </u>	<u>64,307</u>
Total capital assets	<u>8,266,662</u>	<u>104,535</u>	<u>-</u>	<u>8,371,197</u>
Less accumulated depreciation:				
Buildings	2,675,890	232,686		2,908,576
Building improvements	209,071	45,475		254,546
Equipment and fixtures	214,550	40,447		254,997
Vehicles	<u>32,961</u>	<u>8,602</u>	<u> </u>	<u>41,563</u>
Total accumulated depreciation	<u>3,132,472</u>	<u>327,210</u>	<u>-</u>	<u>3,459,682</u>
Net capital assets	<u>\$ 5,134,190</u>	<u>\$ (222,675)</u>	<u>\$ -</u>	<u>\$ 4,911,515</u>
	Balance December 31, 2002	Additions	Disposals/ Deletion	Balance December 31, 2003
Capital assets:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Buildings	6,980,580			6,980,580
Building improvements	720,316	39,456		759,772
Equipment and fixtures	302,936	72,272		375,208
Vehicles	<u>51,102</u>	<u> </u>	<u> </u>	<u>51,102</u>
Total capital assets	<u>8,154,934</u>	<u>111,728</u>	<u>-</u>	<u>8,266,662</u>
Less accumulated depreciation:				
Buildings	2,443,203	232,687		2,675,890
Building improvements	167,151	41,920		209,071
Equipment and fixtures	170,305	44,245		214,550
Vehicles	<u>22,743</u>	<u>10,218</u>	<u> </u>	<u>32,961</u>
Total accumulated depreciation	<u>2,803,402</u>	<u>329,070</u>	<u>-</u>	<u>3,132,472</u>
Net capital assets	<u>\$ 5,351,532</u>	<u>\$ (217,342)</u>	<u>\$ -</u>	<u>\$ 5,134,190</u>

5. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

All conservatory employees are required to participate in the statewide Ohio Public Employees Retirement System (“OPERS”). The plan is a cost sharing, multiple employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. In 2004, the employer was required to contribute 13.55% of active member payroll. For full-time employees, the portion of an employee’s contribution is equal to 8.5% to be picked up (assumed and paid) on behalf of the employee, and in lieu of payment by the employee, by the Conservatory.

Total required employer contributions billed to the Conservatory were approximately \$279,000, \$243,000 and \$229,000 in 2004, 2003 and 2002, respectively, which were equal to the required contributions each year.

OPERS issues a publicly available stand-alone financial report that includes its financial statements and required supplementary information. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6701 or 1-800-222-7377.

Other post-employment benefits for health care costs provided by OPERS are as follows:

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (“OPEB”) as described in GASB Statement No. 12 *Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers*. A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate for state employers was 13.55% of covered payroll; 4% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. The portion of the Conservatory’s 2004 and 2003 contributions that were used to fund postemployment benefits was \$83,000 and \$90,000, respectively. The ORC provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the Retirement System’s latest Actuarial Review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8.00%. An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond 0 health care costs were assumed to increase 4% (the projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2003, the actuarial value of the Retirement System's net assets available for OPEB was \$10.5 billion. The number of active contributing participants was 369,885. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a 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 skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

6. ACCRUED VACATION AND SICK LEAVE LIABILITY

A summary of changes in the long-term accrued vacation and sick leave for the years ended December 31, 2004 and 2003 follows:

	December 31, 2003	Increases	Decreases	December 31, 2004
Vacation and sick leave	\$ 85,811	\$ -	\$ (4,776)	\$ 81,035
	December 31, 2002	Increases	Decreases	December 31, 2003
Vacation and sick leave	\$ 92,942	\$ -	\$ (7,131)	\$ 85,811

7. NOTES PAYABLE

Line of Credit—During 2004, the Conservatory negotiated a revolving credit agreement of \$500,000 with a bank. The line bears interest at prime plus 1% and is due monthly when the line has been drawn. These borrowings are collateralized by all assets now owned and those to be acquired. At December 31, 2004 and 2003 the amount outstanding on the line of credit was \$438,000 and \$176,000.

8. LEASES

The Conservatory is leasing certain equipment under operating leases. Future minimum payments, by year, and in the aggregate, under these leases with initial or remaining terms of one year or more, consisted of the following at December 31, 2004:

	Operating Leases
2005	\$ 9,687
2006	9,687
2007	<u>5,650</u>
Total minimum lease payments	<u>\$ 25,024</u>

In 2004 and 2003, the Conservatory had \$7,392 and \$8,054, respectively, in operating lease expense.

9. COMMITMENTS AND CONTINGENCIES

Grants—Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Conservatory expects such amounts, if any, to be immaterial.

10. RISK MANAGEMENT

The Conservatory maintains comprehensive insurance coverage with private carriers for real property, building contents, directors and officers' liability insurance and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

In addition, the Conservatory provides medical benefits to most of its employees on a fully insured basis with an independent insurance company. The premium rate is calculated based on claim history and administrative costs.

The Conservatory is part of the state-wide plan for workers' compensation insurance coverage.

There were no changes to the above policies during the current fiscal year. Claims experience over the past three years indicates that there were no instances of losses exceeding insurance coverage.

11. ENDOWMENT FUNDS

In 1996, the Women's Sustaining Board created an Endowment Fund (the "Fund") for the Conservatory at the Columbus Foundation, an Ohio not-for-profit corporation. As of December 31, 2004 and 2003, the Fund had assets, recorded in other non-current assets, with a fair value of \$160,798 and \$154,688, respectively. The Fund is included in the Conservatory's financial statements.

In July 1999, the Conservatory created Friends of the Conservatory ("Friends"), a separate legal not-for-profit corporation, in accordance with section 501(c)(3) of the Internal Revenue Code, to support the common good of the general public through the support and assistance of and cooperation with the Conservatory. The Board of Trustees of the Conservatory has reserved the right to suggest to the Committee the manner of distribution of the principal and income of the endowment. As of

December 31, 2004 and 2003, Friends had assets with a fair value of \$834,169 and \$85,083, respectively. Friends is included in the Conservatory's financial statements.

In 2001, Annie's Fund for the Creative Arts created an Endowment Fund for the Conservatory in the form of a collection of Koi (Japanese carp) fish. All donations received for this endowment fund are reserved for the care and support of these fish and their environment. At December 31, 2004 and 2003 the endowment was valued at \$50,476 and \$36,221, respectively.

In December 2002, the Master Plan Gateway Fund was established for gateway development in Franklin Park. All donations received for this endowment fund will be used to build gateways in Franklin Park. At December 31, 2004 and 2003 the fund was valued at \$3,574 and \$3,247, respectively.

12. FRANKLIN PARK CONSERVATORY WOMEN'S SUSTAINING BOARD

Revenue Recognition—All contributions are considered to be available for unrestricted use unless restricted by the donor for specific purposes. Contributions received with donor-imposed restrictions are reported as temporarily restricted or permanently restricted support that increases those net asset classes. If a restriction is fulfilled in the same time period in which the contribution is received, the Women's Board reports the support as restricted with a corresponding release in restriction.

Net Assets—As of December 31, 2004, the Women's Board had unrestricted net assets only.

Financial Statement Presentation—The Women's Board is required to disclose, on a functional basis, costs associated with each program. Substantially all of the expenses incurred by the Women's Board relate specifically to the Women's Board primary program, to provide donations in support of services to meet the needs of the Conservatory. Any expenses incurred which do not directly relate to this program are deemed immaterial for financial statement purposes and therefore, are not shown separately.

13. SUBSEQUENT EVENT

On January 5, 2005, the Conservatory acquired a collection of Chihuly pieces valued at approximately \$7 million through a combination of donor contributions and a Chihuly contribution. No City or County funds were utilized to purchase the collection.

* * * * *

ADDITIONAL INFORMATION

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

To the Board of Trustees of
Franklin Park Conservatory Joint Recreation District:

We have audited the financial statements of the Franklin Park Conservatory Joint Recreation District (the "Conservatory") as of and for the year ended December 31, 2004, and have issued our report thereon dated April 12, 2005, which included a reference to other auditors for the audit of Franklin Park Conservatory Women's Sustaining Board, a discretely presented component unit of the Conservatory. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Conservatory's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Conservatory in a separate letter dated April 12, 2005.

Compliance and Other Matters

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

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



April 12, 2005



**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 PARK CONSERVATORY JOINT RECREATION DISTRICT
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
SEPTEMBER 13, 2005**