



**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2011



Dave Yost • Auditor of State

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

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, 2011, 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 reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franklin County Veterans Memorial, as of December 31, 2011, 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.

The Memorial is experiencing certain financial difficulties. Those difficulties and management's plan are discussed in Note 15

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2012, 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 grant 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



Dave Yost
Auditor of State

May 18, 2012

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

The discussion and analysis of the Franklin County Veterans Memorial's ("the Memorial") financial performance provides an overall review of The Memorial's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at The 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 The Memorial's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$153,540 from 2010.
- Total operating revenues increased \$338,294 from 2010.
- Total operating expenses decreased \$28,521 from 2010.

USING THIS FINANCIAL REPORT

This annual report consists of three parts, the MD&A, financial statements, and the notes to 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 Memorial's net assets, however, in evaluating the overall position of the Memorial's non-financial information such as changes in the information presented in the section entitled "Narrative of 2011 Operation and Current Issues" will also need to be evaluated.

Following is a summary of the Memorial's net assets for 2011 compared to 2010:

	2011	2010
Current assets	\$ 242,381	\$ 171,717
Capital assets	166,555	138,744
Total assets	408,936	310,461
Current liabilities	588,926	629,531
Long term liabilities	168,939	183,399
Total liabilities	757,865	812,930
Net Assets Invested in Capital Assets	166,555	138,744
Unrestricted Net Assets	(515,484)	(641,213)
Net assets	\$ (348,929)	\$ (502,469)

In 2011, Net Assets increased by \$153,540.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)
(Continued)**

ANALYSIS OF OPERATIONS

The changes in net assets for the year ended December 31, 2011 and December 31, 2010 are as follows:

	2011	2010
Total Operating Revenues	2,706,062	2,367,768
Total Operating Expenses	2,568,922	2,597,443
Operating Income (Loss)	137,140	(229,675)
Non Operating Revenues	17,607	0
Non Operating Expenses	1,207	2,651
Change in net assets	153,540	(232,326)
Net assets (Deficit) beginning of y	(502,469)	(270,143)
Net assets (Deficit) end of year	(348,929)	(502,469)

Total Operating Revenues in 2011 increased by 15.03%. Contributing to the increase in operating revenue was an increase in events, leasing, price changes, and lower charges for reimbursable services.

CAPITAL ASSETS AND CURRENT DEBT

The Memorial has \$166,555 invested in capital assets net of depreciation. There were \$49,583 in additions to equipment, furniture and fixtures, and building improvements for fiscal year 2011. Detailed information regarding capital asset activity is included in the notes to the financial statements (Note 5).

On March 13, 2006, Franklin County, the Primary Government, provided an interest free loan to the Memorial for the purpose of improving the cash balances of the Memorial so that the payroll expenditures could be paid. The balance at December 31, 2011 and the amount of the loan due in 2012 is \$32,393. A deposit of \$17,607 was received by the Memorial and applied to the previous balance of \$50,000 in 2011 due to excess funds received on the Memorial's behalf by Franklin County. These excess funds were applied to the loan balance.

During 2011, Franklin County, the Primary Government, provided an interest free loan to the Memorial in the total amount of \$250,000, to assist the Memorial with cash flow, and to pay amounts relating to health insurance and retirement contributions.

OPERATING LEASE

On July 20, 1981, by Quit Claim Deed, the Board of Trustees of the 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. Detailed information regarding the lease computation is included in the notes to the financial statements (Note 12).

VETERANS MEMORIAL CONTACT INFORMATION

Rodney Myers, General Manager
Franklin County Veterans Memorial
300 West Broad Street
Columbus, Ohio 43215

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	2011
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 136,109
Accounts Receivable	82,097
Prepaid items	24,175
Total Current Assets	242,381
Noncurrent Assets:	
Depreciable capital assets, net	166,555
Total Noncurrent Assets	166,555
Total Assets	408,936
Liabilities	
Current Liabilities:	
Accounts Payable	50,680
Accrued Wages	20,327
Intergovernmental Payable	19,217
Compensated Absences Payable	31,000
Deferred Revenue	185,309
Due to Primary Government	282,393
Total Current Liabilities	588,926
Long-Term Liabilities	
Compensated Absences Payable	168,939
Total Long-Term Liabilities	168,939
Total Liabilities	757,865
Net Assets	
Invested in Capital Assets	166,555
Unrestricted	(515,484)
Total Net Assets	\$ (348,929)

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, 2011**

	2011
Operating Revenues	
Charges for services	\$ 2,706,062
Total Operating Revenues	2,706,062
Operating Expenses	
Salaries	1,309,250
Fringe benefits	392,565
Purchased services	546,043
Materials and supplies	109,142
Repairs and maintenance	136,754
Depreciation	21,772
Other	53,396
Total Operating Expenses	2,568,922
 Operating Income	 137,140
Non-Operating Revenue and (Expense)	
Miscellaneous Contribution	17,607
Interest expense	(1,207)
Total Non-Operating Revenue and(Expenses)	16,400
 Changes in Net Assets	 153,540
 Net Assets (Deficit) Beginning of Year	 (502,469)
 Net Assets (Deficit) End of Year	 \$ (348,929)

See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 2,741,727
Cash Payments to Employees for Services	(1,322,426)
Cash Payments to Employee Benefits	(392,565)
Cash Payments for Goods and Services	(838,624)
Net Cash Provided by Operating Activities	188,112
Cash Flows from Non-Capital Financing Activities	
Miscellaenous Contribution	17,607
Principal paid on short term loan	(28,298)
Interest paid on short term loan	(1,207)
Net Cash Used for Non-Capital Financing Activities	(11,898)
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(49,583)
Net Cash Used for Capital and Related Financing Activities	(49,583)
Cash Flows from Investing Activities	
Interest Received from Investments	-
Net Cash Provided by Investing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	126,631
Cash and Cash Equivalents Beginning of Year	9,478
Cash and Cash Equivalents End of Year	\$ 136,109
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 137,140
Adjustments:	
Depreciation	21,772
(Increase) decrease in assets:	
Accounts receivable	35,665
Prepaid items	20,302
Increase (decrease) in liabilities:	
Accounts payable	(142,172)
Accrued wages	1,284
Compensated absences payable	(14,460)
Deferred revenue	77,104
Intergovernmental payable	(180,916)
Due to primary government	232,393
Net Cash Provided by Operating Activities	\$ 188,112

Non Cash Items:

Franklin County provided and paid on behalf \$162,503 to Veterans Memorial for certain Health Care and Retirement Systems expenses

See accompanying notes to the basic financial statements.

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**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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 previous three years (2010, 2009 and 2008), there has been no rent paid to the County whereby imposing a financial burden on the County (see Note 13).

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

All monies received by the Memorial are maintained in a demand deposit account.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

Capital Assets 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. There is no minimum capitalization threshold. Donated capital 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.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 contributions of \$17,607 from Franklin County in 2011, which were applied to the outstanding loans due to Franklin County.

Loan From Primary Government

Franklin County, the Primary Government loaned money to The Memorial to help their cash balance when needed. This loan was authorized by the County Commissioners and is expected to be repaid in 2012.

The Memorial received \$50,000 in loans from Franklin County in 2006. A description of loans payable is in Note 12.

The Memorial received \$250,000 in loans from Franklin County in 2011. A description of loans payable is in Note 12.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2011.

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

State statutes classify monies held by the Memorial into three categories.

Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the Memorial treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

The investment and deposit of the Memorial's monies is governed by the provisions of the ORC. In accordance with these statutes, the Memorial 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 agreement secured by United States obligations; and STAROhio. At December 31, 2011, the Memorial only had deposits with financial institutions.

Custodial Credit Risk - is the risk that in the event of bank failure, the Memorial's deposits may not be returned. 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 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Memorial's name. The Memorial complied with the provisions of these statutes.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(CONTINUED)**

3. DEPOSITS AND INVESTMENTS (Continued)

At year-end, the carrying amount of the Memorial's cash was \$136,109, inclusive of \$4,450 in cash on hand. The bank balances were \$172,345 of which all was covered by FDIC.

4. ACCOUNTS RECEIVABLE

Receivables at December 31, 2011 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. There was no Bad Debt Expense during the year ending December 31, 2011.

5. CAPITAL ASSETS

Reconciliation of beginning and ending balances for the year ended December 31, 2011:

	Beginning Balance	Additions	Ending Balance
Leasehold Improvements Buildings	\$ 794,536	\$ -	\$ 794,536
Leasehold Improvements North Hall	20,157	0	20,157
Equipment	1,608,487	0	1,608,487
Vehicles	29,619	0	29,619
Furniture and Fixtures	297,659	49,583	347,242
Cafeteria Equipment	340,497	0	340,497
Subtotal	<u>3,090,955</u>	<u>49,583</u>	<u>3,140,538</u>
Less: Accumulated Depreciation	<u>(2,952,211)</u>	<u>(21,772)</u>	<u>(2,973,983)</u>
Net Capital Assets	<u>\$ 138,744</u>	<u>\$ 27,811</u>	<u>\$ 166,555</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 2010, 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. Settlements did not exceed coverage for each of the last three years. Coverage provided by Defusco & Associates are as follows:

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(CONTINUED)**

6. RISK MANAGEMENT (Continued)

<u>Coverage</u>	<u>Replacement Value</u>	<u>Deductible</u>
Building and its contents	\$38,460,000	\$5,000
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

The Memorial purchases health, dental and vision coverage for full-time employees through the Franklin County Cooperative Health Benefits Program. Prior year amounts paid for the Memorial by the County are included in the intergovernmental payable at December 31, 2011. The Memorial is currently billed by Franklin County on a monthly basis for the cost of health insurance. There are no current amounts due at December 31, 2011.

7. DEFERRED COMPENSATION PLAN

As of December 31, 2011, 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 percent 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, OPERS invests employer contributions to provide a formula retirement benefit similar in nature 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.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(CONTINUED)**

8. PENSION PLAN (Continued)

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 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2011, member and employer contribution rates were consistent across all three plans. The members of all three plans were required to contribute 10 percent of their annual covered salaries. The Memorial's required contribution rate for pension benefits was 14% for 2011.

The Memorial's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$288,631, \$281,928 and \$291,590, respectively. There were no amounts owed to the plan at December 31, 2011.

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursements, to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-retirement health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the traditional pension and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contributions to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(CONTINUED)**

9. OTHER POST-EMPLOYMENT BENEFITS (continued)

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 4.0% during calendar year 2011 for all employees.

The rates stated above are contractually required contribution rates for OPERS. Actual employer contributions for 2011, 2010, and 2009, which were used to fund post-employment benefits, were \$48,621, \$59,663 and \$71,971, respectively. The actual contribution and the actuarially required contribution amounts are the same.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

10. COMPENSATED ABSENCES

The 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, 2011 that was due to employees upon retirement or termination of their employment. Of this amount, \$31,000 is expected to be paid within one year.

Changes in Long-Term Liabilities for the year ended December 31, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within 1-Year
Compensated Absences	\$ 214,399	\$ 16,044	\$ (30,504)	\$ 199,939	\$ 31,000

11. LOANS AND NOTES PAYABLE

On March 13, 2006, Franklin County, the Primary Government, provided a loan to the Memorial for the purpose of improving the cash balances of the Memorial so that the payroll expenditures could be paid. The loan of \$50,000 is interest free and is expected to be repaid by the Memorial in 2012. The due date was changed from 2010 with no penalty attached. During 2011, the balance of the loan was reduced by a \$17,607 payment to the County by the Memorial.

In February 2011, the County agreed to provide the Memorial with \$87,497 in cash during 2011 to assist in management of the Memorial's cash flow. In addition, the County agreed to pay up to \$162,503 in expenses for the Memorial during 2011 for certain expenditures. The Memorial utilized all \$250,000 of these funds during 2011. The amounts are not expected to be repaid during 2012.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(CONTINUED)**

12. LOANS AND NOTES PAYABLE (Continued)

Loan	Interest	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within 1-Year
Primary Gov't Loan	0%	\$ 50,000	\$0	(\$17,607)	\$ 32,393	\$ 32,393
Primary Gov't Loan	0%	-	250,000	0	250,000	250,000
Insurance Financing (2010)	10%	28,298	-	(28,298)	-	-
Total		\$ 78,298	\$ 250,000	\$ (45,905)	\$ 282,393	\$ 282,393

13. OPERATING LEASE

On July 20, 1981, by Quit Claim Deed, the Board of Trustees of the 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 2011. The computation is as follows:

	2011
Specifically identified assets in excess of liabilities	\$ (515,484)
Reserve amount to be retained	(250,000)
Reserve fund deficit	<u>\$ (765,484)</u>

14. CONCENTRATIONS

The 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 affect the financial position and operations of the facility. In 2011, these two items constituted 57% of operating revenues.

15. MANAGEMENT PLAN/SUBSEQUENT EVENT

For fiscal year 2011, the Memorial had operating income of \$137,140 and negative ending net assets of (\$348,929). Operating losses were (\$229,675) during 2010. Franklin County provided a \$250,000 loan during 2011.

In order to reduce contributions required of the County to support the Veterans community and strive to operate without a deficit, management has adopted an aggressive business plan that includes a component designed to address what was a previously understated marketing effort. Other elements of the plan include the incorporation of accepted, professional practices and attempts to maximize existing revenue streams (parking, reimbursable charge backs, upscale of catering services, etc.) and identifying new income opportunities (equipment rental charges, advertising/sponsorship possibilities, lease of space opportunities, ticket box office, etc.).

In January 2012, the Memorial received \$280,000 from The Franklin County Veterans Service Commission for 2012 rental service. At April 30, 2012, the Memorial's cash balance was \$594,082.

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Dave Yost • Auditor of State

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 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, 2011, and have issued our report thereon dated May 18 2012, wherein we noted the Memorial was experiencing certain financial difficulties. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Memorial's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Memorial's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Memorial's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199
www.auditor.state.oh.us

Franklin County Veterans Memorial
Franklin County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
Page 2

We did note a certain matter not requiring inclusion in this report that we reported to the Memorial's management in a separate letter dated May 18, 2012.

We intend this report solely for the information and use of management, the audit committee, Board of Trustees and others within the Memorial. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

May 18, 2012



Dave Yost • Auditor of State

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 12, 2012