



Dave Yost • Auditor of State

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Franklin County Veterans Memorial
Franklin County
373 South High Street, 10th Floor
Columbus, Ohio 43215

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Franklin County Veterans Memorial, Franklin County, Ohio (the Memorial), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Memorial's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Memorial's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Memorial's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin County Veterans Memorial, Franklin County as of December 31, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Memorial will continue as a going concern. As discussed in Note 14, the Memorial has suffered recurring net losses from operations raising substantial doubt about its ability to continue as a going concern. As further discussed in Note 14, the event and facility operations were ceased on July 31, 2014 and parking operations were ceased when the property was transferred on July 24, 2015.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Memorial's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 21, 2015

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014. 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 position increased \$218,878 from 2013.
- Total operating revenues decreased \$754,168 from 2013.
- Total operating expenses decreased \$50,252 from 2013.

USING THIS FINANCIAL REPORT

This annual report consists of three parts, the Management's Discussion and Analysis, financial statements, and the notes to the financial statements. The financial statements include a statement of net position, statement of revenues, expenses and changes in net position and a statement of cash flows.

STATEMENT OF NET POSITION

This statement reports the Memorial's net position, 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 2014 Operation and Current Issues" will also need to be evaluated.

Following is a summary of the Memorial's net position for 2014 compared to 2013:

	2014	2013
Current assets	\$ 69,073	\$ 311,295
Capital assets	165,295	185,367
Total assets	234,368	496,662
Current liabilities	78,611	503,109
Long term liabilities	-	56,674
Total liabilities	78,611	559,783
Net Investment in Capital Assets	165,295	185,367
Unrestricted Net Position	(9,538)	(248,488)
Net Position	\$ 155,757	\$ (63,121)

In 2014, Net Position increased by \$218,878 primarily due to Franklin County contributions of \$1,148,914.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

ANALYSIS OF OPERATIONS

The changes in net position for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Total Operating Revenues	1,813,676	2,567,844
Total Operating Expenses	2,743,712	2,793,964
Operating loss	(930,036)	(226,120)
Non Operating Revenues	1,148,914	347,219
Change in net position	218,878	121,099
Net position - beginning of year	(63,121)	(184,220)
Net position - end of year	<u>155,757</u>	<u>(63,121)</u>

Total Operating Revenues in 2014 decreased by 29%. Contributing to the decrease in operating revenue was a cessation of event and facility operations as instructed by the Franklin County Commissioners.

CAPITAL ASSETS AND CURRENT DEBT

The Memorial has \$165,295 of Net Investment in Capital Assets. There were \$18,896 in additions to equipment, furniture and fixtures, and building improvements for fiscal year 2014. Detailed information regarding capital asset activity is included in the notes to the financial statements (Note 5).

OPERATING LEASE

On July 20, 1981, by Quit Claim Deed, the Board of Trustees of 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).

CESSATION OF OPERATIONS

At the direction of the Franklin County Board of Commissioners, the Memorial ceased its event and facility operations at the end of July 2014. The Commissioners have directed the preparation of the facility for demolition. The Memorial believes that demolition will conclude in 2015, at which time control of the property will transfer to another entity at the discretion of the Commissioners.

The Memorial continued parking operations for the remainder of 2014. The parking operations of the Memorial ceased operations in July 2015.

VETERANS MEMORIAL CONTACT INFORMATION

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

Assets	<u>2014</u>
Current Assets	
Cash and Cash Equivalents	\$ 66,214
Accounts Receivable	210
Prepaid items	2,649
Total Current Assets	<u>69,073</u>
Noncurrent Assets:	
Depreciable capital assets, net	147,280
Website development costs, net	18,015
Total Noncurrent Assets	<u>165,295</u>
Total Assets	<u>234,368</u>
Liabilities	
Current Liabilities:	
Accounts Payable	41,592
Accrued Wages	15,500
Intergovernmental Payable	18,563
Compensated Absences Payable	2,956
Total Current Liabilities	<u>78,611</u>
Total Liabilities	<u>78,611</u>
Net Position	
Net Investment in Capital Assets	165,295
Unrestricted	(9,538)
Total Net Position	<u>\$ 155,757</u>

See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF REVENUES,
EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>
Operating Revenues	
Charges for services	\$ 1,813,676
Total Operating Revenues	<u>1,813,676</u>
Operating Expenses	
Salaries	906,240
Fringe benefits	718,223
Purchased services	477,082
Materials and supplies	90,931
Repairs and maintenance	270,114
Depreciation	38,968
Other	242,154
Total Operating Expenses	<u>2,743,712</u>
Operating Loss	(930,036)
Non-Operating Revenue (Expenses)	
County contributions	1,148,914
Total Non-Operating Revenues	<u>1,148,914</u>
Change in Net Position	218,878
Net Position Beginning of Year	<u>(63,121)</u>
Net Position End of Year	<u>\$ 155,757</u>

See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Increase (Decrease) in Cash and Cash Equivalents	<u>2014</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 1,902,208
Cash Payments to Employees for Services	(1,150,065)
Cash Payments to Employee Benefits	(718,223)
Cash Payments for Goods and Services	(1,285,996)
Net Cash Used for Operating Activities	<u>(1,252,076)</u>
 Cash Flows from Non-Capital Financing Activities	
Proceeds on contribution - primary government	<u>1,148,914</u>
Net Cash Provided by Non-Capital Financing Activities	<u>1,148,914</u>
 Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	<u>(18,896)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(18,896)</u>
 Net Decrease in Cash and Cash Equivalents	(122,058)
Cash and Cash Equivalents Beginning of Year	<u>188,272</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 66,214</u></u>
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	\$ (930,036)
Adjustments:	
Depreciation	38,968
(Increase) decrease in assets:	
Accounts receivable	88,532
Prepaid items	31,632
Increase (decrease) in liabilities:	
Accounts payable	(61,607)
Accrued wages	(8,937)
Compensated absences payable	(234,888)
Deferred revenue	(185,811)
Intergovernmental payable	10,071
Net Cash Used for Operating Activities	<u><u>\$ (1,252,076)</u></u>

See accompanying notes to the basic financial statements.

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**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 2015. 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 (2013, 2012 and 2011), there has been no rent paid to the County whereby imposing a financial burden on the County (see Note 12).

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 adopted GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the applicable pronouncement and [No. 62](#), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA 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 position, statement of revenues, expenses, and changes in net position, and a statement of cash flows.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 position, 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.

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 position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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. Unearned 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, 2014 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 position. Land and building (owned by primary government) assets are reported both in the business-type activities column of the government-wide statement of net position and in the fund financials of the primary government.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation (Continued)

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.

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 position.

Accrued Liabilities and Long-term Obligations

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

Net Position

Net position represents the difference between assets and liabilities. Net position is 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. The only positive component of net position consists of Investment in Capital Assets of which there is no attributable debt.

There is no portion of net position that is externally restricted.

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.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Other Contributions for the Primary Government

Additional Contributions of \$1,148,914 were received from the Franklin County in 2014 in order to meet the Memorial's financial obligations.

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 2014.

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.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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, 2014, 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.

At year-end, the carrying amount of the Memorial's cash was \$66,214, inclusive of \$350 in cash on hand. The bank balances were \$81,938, of which all was covered by FDIC.

4. ACCOUNTS RECEIVABLE

Receivables at December 31, 2014 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. The Memorial determined \$80,181 of uncollectible receivables to be recorded as Bad Debt Expense during the year ending December 31, 2014.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

5. CAPITAL ASSETS

Reconciliation of beginning and ending balances for the year ended December 31, 2014:

Franklin County Veteran's Memorial				
Franklin County				
1/1/14-12/31/14				
Capital Asset Note				
	Beginning Balance	Additions	Deletions	Ending Balance
Leasehold Improvements				
Buildings	794,536	-	-	794,536
Leasehold Improvements				
North Hall	20,157	-	-	20,157
Equipment	1,637,659	18,896	-	1,656,555
Furniture and Fixtures	347,242	-	-	347,242
Cafeteria Equipment	340,497	-	-	340,497
Total depreciable assets	3,140,091	18,896	-	3,158,987
Less: Accumulated Depreciation				
Building and Improvement	(744,703)	(8,143)	-	(752,846)
Machinery and Equipment	(2,246,931)	(11,930)	-	(2,258,861)
Total	(2,991,634)	(20,073)	-	(3,011,707)
Depreciable Capital Asset, net	148,457	(1,177)	-	147,280
Website Development	56,685	-	-	56,685
Less: Accumulated Depreciation	(19,775)	(18,895)	-	(38,670)
Website Development costs, net	36,910	(18,895)	-	18,015

Memorial expects to retire all Capital Assets in 2015 due to cessation of operations.

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, 2014
(Continued)**

6. RISK MANAGEMENT (Continued)

<u>Coverage</u>	<u>Replacement Value</u>	<u>Deductible</u>
Automobile	1,000,000 – 1,200,000	Deductible varies
General liability	1,000,000 – 2,000,000	

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, 2014. 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, 2014.

7. DEFERRED COMPENSATION PLAN

As of December 31, 2014, 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

A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

8. PENSION PLAN (Continued)

- B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.
- F. The 2014 member contribution rates were 10.00% of covered payroll for members in state and local classifications.
- G. The 2014 employer contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll.
- H. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records.
- I. In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, 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-employment health care coverage.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

A. Plan Description (Continued)

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 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 the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.00% of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees 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 for members in the Traditional Plan was 2.0% during calendar year 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 2% during calendar year 2014. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. Information from employer's records

The rates stated in Section B, above, are the contractually required contribution rates for OPERS. As part of this disclosure, it will be necessary for the employer to disclose the employer contributions actually made to fund post-employment benefits. The portion of your employer contributions that were used to fund post-employment benefits can be approximated by multiplying actual employer contributions for calendar year 2014 by 0.0714 for state and local employers.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

D. OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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, 2014 that was due to employees upon retirement or termination of their employment. Of this amount, the entire balance is expected to be paid within one year.

Changes in Long-Term Liabilities for the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within 1-Year
Compensated Absences	\$ 237,844	\$ -	\$ (234,888)	\$ 2,956	\$ 2,956

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

11. 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 2014. The computation is as follows:

	2014
Specifically identified assets in excess of liabilities	\$ (25,775)
Reserve amount to be retained	(250,000)
Reserve fund deficit	\$ (275,775)

12. CONCENTRATIONS

The Memorial receives the majority of its revenues from Booking and Parking Lot revenues from events in the Columbus, Ohio area. An anticipated significant decrease in either of these revenue types could adversely affect the financial position and operations of the facility. In July 2014, the Memorial ceased event and facility rental operations under the directive of the County. Parking operations will continue into 2015, when it is believed these operations will cease. In 2014, booking and related items as well as parking lot revenue constituted all operating revenues..

13. MANAGEMENT PLAN/SUBSEQUENT EVENT

For fiscal year 2014, the Memorial had an operating loss of (\$930,036) and ending net position of \$155,757. Operating loss was (\$226,120) during 2013. Franklin County provided \$1,148,914 in additional contributions during 2014.

On August 20, 2013, the Franklin County Commissioners unveiled to the Memorial's Board of Trustees a conceptual plan for the Scioto Peninsula which included the construction of the New Veterans Memorial. As a result, the Board of Trustees decided on September 18, 2013 that the Memorial will cease operations on July 31, 2014. The Memorial ceased event and facility operations by that date and worked with customers to reimburse monies owed for deposits on events scheduled after the date of cessation of operations. Daily parking operations continued through the remainder of 2014.

As part of the cessation of operations that occurred with the scheduled demolition of the Memorial, the Memorial's employees who retired, left, or accepted positions in other agencies, were paid their most current balance in their vacation and sick leave accounts at time of departure.

The Memorial will continue to operate the parking lot through the demolition of the existing structure until such time as the lot will be needed for the construction of the new Memorial. The date of transfer of the property is July 24, 2015.

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Dave Yost • Auditor of State

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

Franklin County Veterans Memorial
Franklin County
373 South High Street, 10th Floor
Columbus, Ohio 43215

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Franklin County Veterans Memorial, Franklin County, (the Memorial), a component unit of Franklin County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Memorial's basic financial statements and have issued our report thereon dated October 21, 2015, wherein we noted that the Memorial has suffered recurring net losses from operations. We also noted that the Memorial ceased all event and facility operations on July 31, 2014 and parking operations were ceased when the property was transferred on July 24, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Memorial's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Memorial's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Memorial's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Memorial's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Memorial's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

October 21, 2015

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of the financial data throughout the year.

The following adjustment was made to the Memorial's financial statements, and where applicable, to the accounting records:

- An adjustment was made to the Memorial's cash balance in the amount of \$16,237. The Memorial voided a check and made the change to the cash reconciliation, but did not post it to the general ledger.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of the financial data throughout the year.

We recommend the Memorial develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Memorial and thereby increases the reliability of the financial data throughout the year. Such procedures may include review of the financial ledgers and financial statements by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors and omissions.

Officials' Response:

With respect to the voided check that was not posted to the ledger, that too was addressed by putting in process for future checks and balances to ensure all voided checks are verified on the ledger before closing the month.

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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
DECEMBER 22, 2015