

**STATE OF OHIO  
CAPITOL SQUARE REVIEW  
AND ADVISORY BOARD**

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**FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2003 and 2002**

**With Independent Auditors' Report**

**And Additional Information**

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**PARMS & COMPANY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Auditor of State  
Betty Montgomery**

Capitol Square Review and Advisory Board  
Columbus, Ohio

We have reviewed the Independent Auditor's Report of the Capitol Square Review and Advisory Board, Franklin County, prepared by Parns & Company, LLC, for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Capitol Square Review and Advisory Board is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

February 3, 2004

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**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD**

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INDEPENDENT AUDITORS' REPORT

Honorable Betty Montgomery  
Auditor of State of Ohio and  
The Capitol Square Review and  
Advisory Board  
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Capitol Square Review and Advisory Board (the Board), an independently audited organization that is part of the primary government of the State of Ohio, as of and for the years ended June 30, 2003 and 2002. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Capitol Square Review and Advisory Board are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Ohio that is attributable to the transactions of Capitol Square Review and Advisory Board. They do not purport to, and do not, present fairly the financial position of the State of Ohio as of June 30, 2003 and 2002, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Capitol Square Review and Advisory Board of the State of Ohio as of June 30, 2003 and 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 8 and budgetary comparison information on pages 30 to 33 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 5, 2003, on our consideration of the Capitol Square Review Advisory Board' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Parms & Company, LLC*

September 5, 2003



## **CAPITOL SQUARE REVIEW AND ADVISORY BOARD**

### **Management's Discussion and Analysis**

**For the Year Ended June 30, 2003**

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The discussion and analysis of Capitol Square Review and Advisory Board's financial performance provides an overall review of the Board's financial activities for the year ended June 30, 2003. The intent of the discussion and analysis is to look at the Board's financial performance as a whole; readers should also review the transmittal letter, and the basic financial statements to enhance their understanding of the Board's financial performance.

#### **Financial Highlights**

Key financial highlights for FY2003 are as follows:

- ! Our FY2003 General Revenue budget per House Bill #0094 was \$3,312,263 and was then promptly reduced on July 1, 2002 by \$49,684 (1.5%) and then three additional times during the year: Executive Order #454 by \$195,755, Executive Order #549 by \$298,632, and Executive Order #629 by \$69,330 for a final total of \$2,703,862.
- ! The one Capital Project we have in progress is CAP-011 the Statehouse Security Improvements with a FY2003 construction-in-progress outlay of \$439,579 and the Garage Fire Suppression Phase I construction-in-progress cost of \$956,382. Both of these projects will be completed in FY2004.
- ! The Parking Garage again exceeded \$2.5 million in operating revenues but was down (\$100,000) from the previous year. This left a cash balance of \$2,099,135 at year-end. The Garage continues to suffer from the lack of evening and weekend activity downtown.
- ! In October there was a golf cart fire on the yellow level of the Parking Garage which caused approximately \$175,000 in damage and lost income. We were reimbursed for all but our \$1,000 deductible by the insurance company.
- ! Special Events (Fund 4S7) showed a 10.4% increase in revenues to \$181,423.
- ! The Statehouse Museum Shop (Fund 4S7) achieved a 30.8% increase in revenues translating to a store record of \$570,844. The majority of this large boost in revenues was the result of our being the official product website of the Ohio Bicentennial Commission. This celebration runs from January 1, 2003 to December 31, 2003.

## **CAPITOL SQUARE REVIEW AND ADVISORY BOARD**

Management's Discussion and Analysis

For the Year Ended June 30, 2003

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! The Renovation Gift Fund (Fund 4G5), seeded primarily from money raised by the Capitol Square Foundation, will be the conduit of donated funds for future projects such as; a Finan Memorial plaque for the Map Room, a Great Ohioans Award and Memorial, a Cleisthenes/Jefferson bust proposal, and a Female Legislators Memorial room proposal.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Capitol Square as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole agency, presenting both an aggregate view of the Board's finances and a longer-term view of those assets. The proceeding reports look at our General Revenue fund, Special Revenue funds, and Enterprise fund.

### **Reporting Capitol Square as a Whole**

#### Statement of Net Assets and the Statement of Activities

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report Capitol Square's net assets and the change in those assets. This change in net assets is important because it tells the reader whether, as a whole, the financial position of the Board has improved or diminished.

In the Statement of Net Assets and the Statement of Activities, Capitol Square is divided into two kinds of activities:

! **Governmental Activities** - Most of the Board's services are reported here including building and grounds administration for the entire Capitol Square including Statehouse Museum Shop, Special Events and the Gift fund activities.

! **Business-Type Activities** - These services have a charge based upon amount of usage. Capitol Square charges fees for the use of the Statehouse Parking Garage, which recoups the entire cost of this operation as well as any associated capital expenses.

## CAPITOL SQUARE REVIEW AND ADVISORY BOARD

Management's Discussion and Analysis

For the Year Ended June 30, 2003

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### Reporting Capitol Square Review and Advisory Board's Most Significant Funds

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance-related legal requirements. All of the funds of the Board can be divided into two categories: governmental funds and proprietary funds. Fund financial reports provide detailed information about the Board's funds. Based on restrictions on the use of monies, the Board has established four funds which account for the services provided to our tenants and visitors.

*Governmental Funds:* The governmental fund category consists of funds that finance most government functions. Funds within this category are grouped for our purposes into one of the following fund types: General, which accounts for financial resources (budget appropriated tax revenues) not required to be accounted for in another fund; Special Revenue, which accounts for specific revenue sources restricted for specific uses (our 4S7 and 4G5 funds).

*Proprietary Fund:* The Board maintains one type of proprietary fund (Enterprise). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Statehouse Parking Garage (208 fund) falls in this business-type activity.

*Notes to the Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by \$3,194,510 (\$32,386 in governmental activities and \$3,162,124 in business type activities) as of June 30, 2003 and \$2,991,325 (\$562,065 in governmental activities and \$2,429,260 in business type activities) as of June 30, 2002. This is an increase of \$203,185 from FY2002 to FY2003. The largest portion of the Board's net assets (65% ) reflects its capital asset of the Statehouse Underground Parking Garage. The Board uses this capital asset to earn parking fees from the public for its use. It should be noted that debt paid by the business-type activity is from parking fees; the debt itself is related to the Statehouse restoration project and not to the Statehouse Underground Parking Garage.

## CAPITOL SQUARE REVIEW AND ADVISORY BOARD

### Management's Discussion and Analysis

For the Year Ended June 30, 2003

#### Government-wide Financial Analysis (continued)

	2003			2002		
	Governmental	Business-Type		Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current assets	\$1,091,411	2,865,307	\$3,956,718	\$1,407,385	2,911,126	\$4,318,511
Capital assets (net)	-	<u>7,408,450</u>	<u>7,408,450</u>	-	<u>6,919,177</u>	<u>6,919,177</u>
Total assets	<u>1,091,411</u>	<u>10,273,757</u>	<u>11,365,168</u>	<u>1,407,385</u>	<u>9,830,303</u>	<u>11,237,688</u>
Current liabilities	525,291	1,295,076	1,820,367	657,549	1,299,353	1,956,902
Non-current liabilities	<u>533,732</u>	<u>5,816,557</u>	<u>6,350,289</u>	<u>187,771</u>	<u>6,101,690</u>	<u>6,289,461</u>
Total liabilities	<u>1,059,023</u>	<u>7,111,633</u>	<u>8,170,656</u>	<u>845,320</u>	<u>7,401,043</u>	<u>8,246,363</u>
Unrestricted net assets	<u>\$ 32,388</u>	<u>3,162,124</u>	<u>\$3,194,512</u>	<u>\$ 562,065</u>	<u>2,429,260</u>	<u>\$2,991,325</u>

As of June 30, 2003 and 2002, the Board was able to report positive balances in both categories of net assets, both for the Board as a whole, as well as for its separate governmental and business-type activities.

	2003			2002		
	Governmental	Business-Type		Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Revenues:						
Charges for services	\$ 750,979	2,526,358	\$3,277,337	\$ 524,247	2,653,996	\$3,178,243
Operating grants and contributions	71,897	47,877	119,774	244,306	42,016	286,322
General revenues	2,556,866	-	2,556,866	3,255,403	-	3,255,403
Transfers	<u>(1,232,560)</u>	<u>956,382</u>	<u>(276,178)</u>	-	-	-
Total Revenues	2,147,182	3,530,617	5,677,799	4,023,956	2,696,012	6,719,968
Expenses	<u>(2,676,859)</u>	<u>(2,797,753)</u>	<u>(5,474,612)</u>	<u>(4,495,162)</u>	<u>(2,601,175)</u>	<u>(7,096,337)</u>
Change in net assets	(529,677)	732,864	203,187	(471,206)	94,837	(376,369)
Beginning net assets	<u>562,065</u>	<u>2,429,260</u>	<u>2,991,325</u>	<u>1,033,271</u>	<u>2,334,423</u>	<u>3,367,694</u>
Ending net assets	<u>\$ 32,388</u>	<u>3,162,124</u>	<u>\$3,194,512</u>	<u>\$ 562,065</u>	<u>2,429,260</u>	<u>\$2,991,325</u>

#### *Governmental Activities*

Employee payroll and benefits accounts for \$2.1 million of the \$3.8 total expenses for governmental activities, or 55% of total expenses. Operations costs of the Executive, Buildings & Grounds, and Communications & Education departments is the next largest program within the Board accounting for \$960 thousand which represents 25% of total governmental activities.

The Board charges for products sold from the Statehouse Museum Shop and for permits, rentals, labor and a percentage of catering for Special Events held on Statehouse Square. The Statehouse Museum Shop provides \$571,844 of the \$750,979 or 76% of charges for services.

## CAPITOL SQUARE REVIEW AND ADVISORY BOARD

Management's Discussion and Analysis

For the Year Ended June 30, 2003

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### **Government-wide Financial Analysis** (continued)

#### *Governmental Activities* (continued)

There was a transfer of \$956,382 in assets from Governmental Activities to Business-Type Activities. This represented Phase 1 of the installation of the Parking Garage fire suppression system.

The Statehouse Underground Parking Garage increased its net assets by \$732,864.

### **Financial Analysis of the Board's Funds**

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The focus of the Board's governmental funds is to provide a clean, safe, and aesthetically pleasing environment for our tenants and visitors to Capitol Square. We also maintain the Statehouse Museum Shop and a Special Events staff to enhance the potential use and enjoyment of these buildings and grounds.

As of the end of the current fiscal year, the Board's Governmental Funds reported combined an ending fund balance of \$584,766. This was a reduction of \$182,880 from FY2002. This was primarily due to the transfer out of our former cash fund 4T2 Ohio Governmental Telecommunications.

### **General Fund Budgeting Highlights**

The Board's budget is prepared according to Ohio Revised Code. The most significant budgeted fund is the General Fund. This General Fund budget was reduced by Executive Order of the Governor from the original appropriation of \$3,312,263 to \$2,703,862 during the course of FY 2003, as explained previously.

### **Capital Assets and Debt Administration**

*Capital Assets:* The Board's investment in capital assets for its business type activity as of June 30, 2003, amounts to \$7,408,450 (net of accumulated depreciation). This investment in capital assets includes Parking Garage facility, improvements, construction in progress, and equipment.

Note 2 (Capital Assets and Depreciation) provides capital asset activity during FY 2003.

## **CAPITOL SQUARE REVIEW AND ADVISORY BOARD**

Management's Discussion and Analysis

For the Year Ended June 30, 2003

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### **Capital Assets and Debt Administration** (continued)

*Long-term Debt:* As required by H.B. 715, the Board entered into an agreement with the Ohio Building Authority to pay off \$8,976,779 of the Authority's series A Bonds principle and interest carrying charges. These bond monies were used in the restoration of the Statehouse and are being paid from fund 208 Parking Garage Operating.

The FY 2003 bond principle and interest payment was \$757,113. Other long-term obligations are for compensated absences that are provided in the Notes.

### **Economic Factors and Next Year's Budget and Rates**

The economic downturn has effected our FY 2003 budget adversely. We had a \$489,387 in Executive Order reductions in our general governmental fund and, as a result, have had to layoff four employees and reduce the hours of nine others. However, the passage of a more favorable FY2004/2005 biennial budget will allow us to restore employees to full time status and begin some long delayed maintenance projects.

The Special Events and Statehouse Museum Shop should continue to show increasing revenues although the ending of the bicentennial celebration in December should begin to moderate Statehouse Museum Shop sales.

Due to the economy and the reduction of downtown activities, we anticipate no increase in parking and other fees for FY 2004.

**Capitol Square Review and Advisory Board  
Statements of Net Assets  
As of June 30, 2003 and 2002**

	<u>As of June 30, 2003</u>			<u>As of June 30, 2002</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash Equity with Treasurer	\$ 563,972	2,119,637	\$ 2,683,609	\$ 855,338	2,184,798	\$ 3,040,136
State Appropriations Receivable	197,979	-	197,979	137,250	-	137,250
Collateral on Loan Securities	187,473	711,742	899,215	281,660	683,652	965,312
Interest Receivable	615	2,331	2,946	16,719	4,541	21,260
Other Assets	30,260	31,597	61,857	25,695	38,135	63,830
Inventories	111,113	-	111,113	90,723	-	90,723
Total Current Assets	<u>1,091,412</u>	<u>2,865,307</u>	<u>3,956,719</u>	<u>1,407,385</u>	<u>2,911,126</u>	<u>4,318,511</u>
<b>NONCURRENT ASSETS</b>						
Capital Assets, Net	-	7,408,450	7,408,450	-	6,919,177	6,919,177
Total Assets	<u>1,091,412</u>	<u>10,273,757</u>	<u>11,365,169</u>	<u>1,407,385</u>	<u>9,830,303</u>	<u>11,237,688</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	218,670	14,576	233,246	279,722	48,016	327,738
Workers' Compensation-current	3,009	1,560	4,569	1,994	1,041	3,035
Compensated Absences-current	18,646	9,950	28,596	17,810	12,715	30,525
Accrued Liabilities	97,493	51,786	149,279	76,363	50,941	127,304
Accrued Interest Expense	-	96,672	96,672	-	81,385	81,385
Obligations Under Securities Lending	187,473	711,742	899,215	281,660	683,652	965,312
Deferred Revenue	-	6,675	6,675	-	5,875	5,875
Bonds Payable-current	-	402,115	402,115	-	415,728	415,728
Total Current Liabilities	<u>525,291</u>	<u>1,295,076</u>	<u>1,820,367</u>	<u>657,549</u>	<u>1,299,353</u>	<u>1,956,902</u>
<b>NONCURRENT LIABILITIES</b>						
Workers' Compensation-noncurrent	360,421	222,375	582,796	33,264	17,366	50,630
Compensated Absences-noncurrent	173,311	106,756	280,067	154,507	120,484	274,991
Bonds Payable-noncurrent	-	5,487,426	5,487,426	-	5,963,840	5,963,840
Total Noncurrent Liabilities	<u>533,732</u>	<u>5,816,557</u>	<u>6,350,289</u>	<u>187,771</u>	<u>6,101,690</u>	<u>6,289,461</u>
Total Liabilities	<u>1,059,023</u>	<u>7,111,633</u>	<u>8,170,656</u>	<u>845,320</u>	<u>7,401,043</u>	<u>8,246,363</u>
<b>NET ASSETS</b>						
Invested in Capital Assets, net of related debt	-	1,518,909	1,518,909	-	539,609	539,609
Unrestricted Net Assets	32,388	1,643,215	1,675,603	562,065	1,889,651	2,451,716
Total Net Assets	<u>\$ 32,388</u>	<u>3,162,124</u>	<u>\$ 3,194,512</u>	<u>\$ 562,065</u>	<u>2,429,260</u>	<u>\$ 2,991,325</u>

See accompanying notes to the financial statements.







**Capitol Square Review and Advisory Board  
Balance Sheets  
Governmental Funds  
As of June 30, 2003 and 2002**

	As of June 30, 2003				As of June 30, 2002			
	General	Sale of Goods & Services Fund	Other Governmental Funds	Total	General	Sale of Goods & Services Fund	Other Governmental Funds	Total
<b>ASSETS</b>								
Cash Equity with Treasurer	\$ -	543,344	20,628	\$ 563,972	\$ -	562,071	293,267	\$ 855,338
State Appropriations Receivable	197,978	-	-	197,978	137,250	-	-	137,250
Collateral on Loan Securities	-	182,384	5,089	187,473	-	175,709	105,951	281,660
Interest Receivable	-	598	17	615	-	1,169	706	1,875
Other Receivables	1,903	23,459	4,898	30,260	7,856	28,676	4,007	40,539
Inventories	-	111,113	-	111,113	-	90,723	-	90,723
Total Assets	199,881	860,898	30,632	\$ 1,091,411	\$ 145,106	858,348	403,931	\$ 1,407,385
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ 163,902	53,518	1,250	\$ 218,670	\$ 263,126	16,596	-	\$ 279,722
Accrued Liabilities	80,281	20,221	-	100,502	64,890	13,467	-	78,357
Obligations Under Securities Lending	-	182,384	5,089	187,473	-	175,709	105,951	281,660
Total Liabilities	244,183	256,123	6,339	506,645	328,016	205,772	105,951	639,739
<b>FUND BALANCES</b>								
Unreserved, Reported In:								
General	(44,302)	-	-	(44,302)	(182,910)	-	-	(182,910)
Special Revenue	-	604,775	24,293	629,068	-	652,576	297,980	950,556
Total Fund Balances	(44,302)	604,775	24,293	584,766	(182,910)	652,576	297,980	767,646
Total Liabilities and Fund Balances	\$ 199,881	860,898	30,632	\$ 1,091,411	\$ 145,106	858,348	403,931	\$ 1,407,385
<b>Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities</b>				<b>As of</b>				
<b>As of June 30, 2002 and 2003</b>				<b>June 30,</b>				
				<b>2003</b>				
Total Governmental Fund Balance				\$ 584,766				\$ 767,646
Amounts reported for governmental activities in the statement of net assets are different because:								
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:								
Accrued workers compensation-noncurrent				(360,421)				(33,264)
Accrued compensated absences				(191,957)				(172,317)
Net Assets of Governmental Activities				\$ 32,388				\$ 562,065

See accompanying notes to the financial statements.

**Capitol Square Review and Advisory Board**  
**Statements of Revenues, Expenditures and Changes in Net Assets**  
**Governmental Funds**  
**For the Fiscal Years Ended June 30, 2003 and 2002**

	<u>The Year Ended June 30, 2003</u>				<u>The Year Ended June 30, 2002</u>			
	<u>General</u>	<u>Sale of Goods &amp; Services Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>	<u>General</u>	<u>Sale of Goods &amp; Services Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>								
State Appropriations	\$ 2,556,866	-	-	\$ 2,556,866	\$ 3,255,403	-	-	\$ 3,255,403
Sales, Services and Charges	-	742,503	8,476	750,979	-	525,610	(1,363)	524,247
Investment Income	-	11,297	(3,817)	7,480	-	30,135	8,262	38,397
Other	-	21,484	42,933	64,417	-	29,116	176,793	205,909
<b>Total Revenues</b>	<u>2,556,866</u>	<u>775,284</u>	<u>47,592</u>	<u>3,379,742</u>	<u>3,255,403</u>	<u>584,861</u>	<u>183,692</u>	<u>4,023,956</u>
<b>EXPENDITURES</b>								
<b>CURRENT OPERATING</b>								
General Government	1,461,878	812,322	55,862	2,330,062	3,445,052	669,622	174,907	4,289,581
<b>Total Expenditures</b>	<u>1,461,878</u>	<u>812,322</u>	<u>55,862</u>	<u>2,330,062</u>	<u>3,445,052</u>	<u>669,622</u>	<u>174,907</u>	<u>4,289,581</u>
Excess/(Deficiency) of Revenues over/(under) Expenditures	1,094,988	(37,038)	(8,270)	1,049,680	(189,649)	(84,761)	8,785	(265,625)
<b>OTHER FINANCING USES</b>								
Transfers Out	(956,382)	-	(276,178)	(1,232,560)	-	-	-	-
Total Other Financing Uses	(956,382)	-	(276,178)	(1,232,560)	-	-	-	-
<b>Net Change in Fund Balances</b>	<u>138,606</u>	<u>(37,038)</u>	<u>(284,448)</u>	<u>(182,880)</u>	<u>(189,649)</u>	<u>(84,761)</u>	<u>8,785</u>	<u>(265,625)</u>
Beginning Fund Balance	(182,910)	652,576	297,980	767,646	6,739	737,337	289,195	1,033,271
Ending Fund Balance	<u>\$ (44,304)</u>	<u>615,538</u>	<u>13,532</u>	<u>\$ 584,766</u>	<u>\$ (182,910)</u>	<u>652,576</u>	<u>297,980</u>	<u>\$ 767,646</u>
<b>Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities for the Years Ended June 30, 2003 and 2002</b>				<b>Year Ended June 30, 2003</b>				<b>Year Ended June 30, 2002</b>
Net Change in Fund Balances-Total Governmental Funds				\$ (182,880)				\$ (265,625)
Amounts reported for governmental activities in the statement of activities are different because								
Some activities reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.								
Workers compensation				(327,157)				(33,264)
Compensated absences				(19,640)				(172,317)
Change in Net Assets of Governmental Activities				<u>\$ (529,677)</u>				<u>\$ (471,206)</u>

See accompanying notes to the financial statements.

**Capitol Square Review and Advisory Board**  
**Statements of Net Assets**  
**Enterprise Fund**  
**As of June 30, 2003 and 2002**

	Underground Parking Garage	
	2003	2002
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash Equity with Treasurer	\$ 2,119,637	\$ 2,184,798
State Appropriations Receivable	-	-
Collateral on Loan Securities	711,742	683,652
Interest Receivable	2,331	4,541
Other Assets	31,597	38,135
<b>Total Current Assets</b>	<b>2,865,307</b>	<b>2,911,126</b>
<b>NONCURRENT ASSETS</b>		
Capital Assets, Net	7,408,450	6,919,177
<b>Total Assets</b>	<b>10,273,757</b>	<b>9,830,303</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	14,576	48,016
Workers' Compensation	1,560	1,041
Compensated Absences	9,950	12,715
Accrued Liabilities	51,786	50,941
Accrued Interest Expense	96,672	81,385
Obligations Under Securities Lending	711,742	683,652
Deferred Revenue	6,675	5,875
Bonds Payable	402,115	415,728
<b>Total Current Liabilities</b>	<b>1,295,076</b>	<b>1,299,353</b>
<b>NONCURRENT LIABILITIES</b>		
Workers' Compensation	222,375	17,366
Compensated Absences	106,756	120,484
Bonds Payable	5,487,426	5,963,840
<b>Total Noncurrent Liabilities</b>	<b>5,816,557</b>	<b>6,101,690</b>
<b>TOTAL LIABILITIES</b>	<b>7,111,633</b>	<b>7,401,043</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, net of related debt	1,518,909	539,609
Unrestricted	1,643,215	1,889,651
<b>Total Net Assets</b>	<b>\$ 3,162,124</b>	<b>\$ 2,429,260</b>

See accompanying notes to the financial statements.

**Capital Square Review and Advisory Board**  
**Enterprise Fund**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the Fiscal Years Ended June 30, 2003 and 2002**

	Underground Parking Garage	
	2003	2002
<b>Operating Revenues:</b>		
Parking Revenues	\$ 2,526,358	\$ 2,653,996
Other	1,685	233
<b>Total Operating Revenues</b>	2,528,043	2,654,229
<b>Operating Expenses:</b>		
Administration and Cost of Sales and Services	1,976,093	1,789,318
Depreciation	539,286	494,105
<b>Total Operating Expenses</b>	2,515,379	2,283,423
Operating Income	12,664	370,806
<b>Nonoperating Revenues (Expenses):</b>		
Interest Income	46,192	94,553
Interest Expense	(282,374)	(317,752)
Loss on Disposal of Fixed Assets	-	(52,770)
<b>Total Non-Operating Revenues (Expenses)</b>	(236,182)	(275,969)
Income Before Operating Transfers	(223,518)	94,837
<b>Operating Transfers:</b>		
Capital Contributions	956,382	-
Net Income	732,864	94,837
Beginning Net Assets	2,429,260	2,039,496
Prior Period adjustment	-	294,927
Ending Net Assets	\$ 3,162,124	\$ 2,429,260

See accompanying notes to the financial statements.

**CAPITOL SQUARE REVIEW AND ADVISORY BOARD**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2003 and 2002**

	2003	Underground Parking Garage 2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 1,956,445	\$ 2,068,702
Cash received from intergovernments	573,749	589,973
Cash payments to employees	(1,308,772)	(1,286,692)
Cash payments to suppliers	(461,825)	(527,650)
Cash payments to intergovernments	(68,961)	(23,200)
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>690,636</b>	<b>821,133</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(72,177)	(31,770)
Principal payment on long-term obligations	(490,028)	(413,321)
Cash payments for interest expense	(267,085)	(359,820)
<b>Net cash used in capital and related financing activities</b>	<b>(829,290)</b>	<b>(804,911)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from interest earnings	73,493	96,571
Net (Decrease)/Increase in Cash and Cash Equivalents	(65,161)	112,793
Cash and Cash Equivalents, Beginning of the Year	2,184,798	2,072,005
Cash and Cash Equivalents, End of the Year	\$ 2,119,637	\$ 2,184,798
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</b>		
Operating Income	\$ 12,664	\$ 370,806
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	539,286	494,105
Decrease (Increase) in Assets:		
Due from other fund	-	8,186
Accounts receivable and prepaid expense	6,538	10,474
Increase (Decrease) in Liabilities		
Accounts Payable	(34,841)	(97,515)
Accrued Liabilities	166,189	33,202
Deferred Revenue	800	1,875
<b>Net Cash Flows Provided by Operating Activities</b>	<b>\$ 690,636</b>	<b>\$ 821,133</b>

See accompanying notes to the financial statements.

**STATE OF OHIO**  
**CAPITOL SQUARE REVIEW AND ADVISORY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements represent the financial position and results of operations and cash flows of the Capitol Square Review and Advisory Board (the Board) as of and for the fiscal years ended June 30, 2003 and 2002. The Board is part of the State of Ohio's reporting entity. The State of Ohio Comprehensive Annual Financial Report provides more extensive disclosure regarding the significant accounting policies of the State as a whole.

The Capitol Square Review and Advisory Board, formerly known as the State Parking Commission, was created by an act of the General Assembly of the State of Ohio, effective October 2, 1961. The Commission was authorized and empowered, among other things, (a) to construct and thereafter operate and maintain the parking facility under the Statehouse grounds in the City of Columbus; (b) issue parking facility revenue bonds of the State of Ohio for the purpose of paying the costs of the facility and (c) to fix, and revise from time to time, and charge and collect fees for the use of the parking facility. Pursuant to Am. Sub. Senate Bill No. 381 passed November 17, 1992, the State Parking Commission was abolished effective June 30, 1993 with all functions, powers, duties and obligations of the Commission transferred, assigned, and assumed by the Capitol Square Review and Advisory Board. All employees of the Commission were transferred to the Board. The Board is a non-taxable entity and, as such, no taxes have been accrued.

B. Basis of Presentation - Fund Accounting

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), in Statement No.34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. While the Statement is scheduled for a phased implementation according to the size of the governmental unit, the Board is required to adopt the Statement in the same years that the State adopts it, and the State elected adoption for the year ended June 30, 2002.

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the Board:

Governmental Fund Types

The Board has the following Governmental Fund Types:

- a. General Fund - The General Fund is the general operating fund of the Board and is used to account for all resources currently available for use, but expendable only from general appropriations of the state government.

**STATE OF OHIO**  
**CAPITOL SQUARE REVIEW AND ADVISORY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- b. Special Revenue Fund - The Special Revenue Fund accounts for all donations received in support of the renovation of the capitol square, fees and receipts charged for special events held on the capitol square, operations of the museum gift shop, which began operation during fiscal years 1996, and excess revenues from the Garage Fund held by the Board to pay for future construction, renovation and other costs related to the capitol square for which money is not available to the Board.

Proprietary Fund Types

Enterprise - The enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprise. For the Board, the enterprise fund consist of the underground parking garage facility, formerly know as the State Parking Commission. This enterprise manages the underground parking facility located at the Capitol Square in the heart of downtown Columbus, Ohio.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Board and for each governmental program. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Board.



**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Financial Accounting Standards

The Board complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial state for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For the enterprise fund, GASB Statement Nos. 20 and 34 provide the Board the option of electing to apply FASB pronouncements issued after November 30, 1989. The Board has elected not to apply those pronouncements.

Beginning in fiscal year 2002, the Board adopted GASB Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments as amended by GASB Statements Nos. 37 and 38.

Fund Financial Statements

Fund financial statements report detailed information about the Board. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column.

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Exception to this is for the cost of compensated absences, which are recorded as expenditures in the period in which they will be liquidated with expendable available financial resources.

Proprietary Funds

The Proprietary Fund is accounted for using the accrual basis of accounting. This fund accounts for operations that are primarily financed by user charges. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

**STATE OF OHIO**  
**CAPITOL SQUARE REVIEW AND ADVISORY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

The Board follows the State of Ohio's budgetary process. As required by the Ohio Revised Code, The Governor submit biennial operating and capital budgets to the General Assembly. The budget is comprised of all proposed expenditures and estimated revenues and borrowing for a biennium.

Biennially, the General Assembly approves operating and capital appropriations. Operating appropriations are provided in annual amounts while capital appropriations are provided in two-years amounts.

For budgeted funds, the State's Central Accounting System controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. A modified cash basis of accounting is used for budgetary purposes. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded as a reserve of the applicable appropriations, is employed as an extension of formal budgetary integration in the State's accounting system. Encumbrances outstanding in the General and special revenue funds at fiscal years-end are reported as reservations of fund balances for expenditures in subsequent years. Operating encumbrances are generally canceled five months after fiscal years-end while capital encumbrances are automatically re-appropriated. Unencumbered appropriations lapse at the end of the biennium for which they were appropriated.

In the Combined Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis), budgeted revenues for the General Fund represent periodically updated revenue budgets. For other budgets funds, the original budgeted revenues, as submitted by the Governor, do not represent actual forecasts of revenues and are not amended to coincide with any legislative changes to the original expenditure budget.

Accordingly, budgeted revenues and other financing sources and uses for budgeted funds other than the General Fund are reported at actual amounts, since the State does not have updated, budgeted revenue and other financing sources for use in the accompanying budgetary-basis financial statements.

In addition, budgetary expenditures include cash disbursements against fiscal years 2003 and 2002 appropriations and outstanding encumbrances, as of June 30, 2003 and 2002, that were committed during fiscal years 2003 and 2002 respectively. Encumbrance reversions represent lapses of prior years appropriations.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, a reconciliation of the differences between the GAAP basis and the non-GAAP budgetary basis of reporting is presented in Note 2.

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash with Treasurer

Cash with Treasurer consist of pooled deposits and investments carried at cost, which approximates market. The State's cash pool, under the Treasurer of State's administration, has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash with Treasurer is considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

F. Inventory

Inventory consists of merchandise used in the gift shop located in the State Capitol Building. Inventory is valued at cost based on last in, first out method of accounting.

G. Property and Equipment

Property and equipment are recorded at cost in the proprietary fund. Depreciation is computed on the straight-line basis using a 60 and 25 years life for the parking facility and improvements, and a ten years life for equipment. The Board's policy is to capitalize property, plant, and equipment expenditures exceeding a \$15,000 threshold. Applicable expenditures for property, plant, equipment, additions for the parking facility (proprietary fund) are capitalized in the Enterprise Fund.

H. Specific Purpose Funds

Until July 1, 1994 all revenues from the parking facility were deposited directly into the checking account of the Capital Square Review and Advisory Board. All operating expenses were first paid out of this account and after reserving therein at all times an adequate amount as working capital (as determined by the Board), excess funds were transferred into the High Balance Business Savings account of the Capitol Square Review and Advisory Board.

Pursuant to H.B. 715 passed on April 22, 1994, effective July 1, 1994, all revenue is deposited with the Treasurer of the State of Ohio in the fund identified as the Underground Parking Garage Operating Fund. All operating expenses are paid out of this fund.

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

Employees of the Board follow State of Ohio policies for payment of compensated absences. Employees can earn vacation leave, sick leave, and personal leave at various rates with limits specified under collective bargaining agreements or under law. Employees accrue vacation leave at the rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum rate of 7.7 hours every two weeks after 20 years of employment. At termination or retirement, employees are paid at their full rate 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 percent of unused sick leave.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, vacation, compensatory time, and personal leaves are accrued as liabilities when an employee's rights to the payment 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 other means, such as cash payment at termination or retirement.

Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

2. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Parking facility	\$ 7,246,805	-	-	\$7,246,805
Parking facility improvements	8,294,444	72,177	-	8,364,621
Construction in progress	-	956,382	-	956,382
Equipment	<u>206,540</u>	<u>-</u>	<u>-</u>	<u>206,540</u>
Total	15,745,789	1,028,559	-	16,774,348

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2003 and 2002**

2. CAPITAL ASSETS AND DEPRECIATION (Continued)

Less: accumulated depreciation				
Parking facility	(5,528,238)	(120,780)	-	(5,649,018)
Parking facility improvements	(3,248,982)	(361,894)	-	(3,610,876)
Equipment	<u>(49,392)</u>	<u>(56,612)</u>	<u>-</u>	<u>(106,004)</u>
Total	<u>(8,826,612)</u>	<u>(539,286)</u>	<u>-</u>	<u>(9,365,898)</u>
Net capital assets	<u>\$ 6,919,177</u>	<u>489,273</u>	<u>-</u>	<u>\$7,408,450</u>

Depreciation expense for the years ended June 30, 2003 and 2002 amounting to \$539,286 and \$494,105 respectively, and was charged to the Underground Parking Garage enterprise fund.

3. SECURITIES LENDING TRANSACTIONS

Generally, during the years, CSRAB had securities lending transactions through cash held by the State Treasurer which consisted of U.S. Government and U.S. Government Agency Obligations. These securities were collateralized by Cash and U.S. Government Securities. The loan contracts specifically do not allow the Treasurer to pledge or sell collateral securities without a borrower default. The value of the collateral provided is required to exceed the value of the underlying securities out on loan by 2% of the market value of the underlying securities. There was no restriction on amounts of the total loan contracts. However, there are percentage and dollar cap restrictions relating to the amount on loan to a single borrower, and there is no loss indemnification provided by the Treasurer's Office by its lending agents.

The maturities of the investments purchased with cash collateral generally match the maturities of underlying securities loaned at June 30, 2003 and 2002. There is no credit risk because the value of the collateral exceeds the value of the securities loaned. Also there were no losses on securities lending transaction during fiscal years 2002 resulting from the default of a borrower or lending agent, nor were there any prior period losses.

4. RETIREMENT PLAN

Plan Description

Substantially all employees are covered by the Ohio Public Employees Retirement System (OPERS). This retirement program is statewide cost-sharing multiple-employer defined benefit pension plans. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute. OPERS issues separate, publicly available financial reports that include financial statements and required supplementary information. PERS financial report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2003 and 2002**

4. RETIREMENT PLAN (Continued)

The Revised Code of Ohio (ORC) provides OPERS statutory authority for employee and employer contributions. The PERS Retirement Board instituted a temporary rate rollback for calendar years 2002. The required contribution rates for PERS plan members and employers for calendar years 2002 were 8.50% and 13.31% of covered payroll, respectively. The required, actuarially determined, rates for plan members are 9.30% and 14.00% of covered payroll, respectively.

The Board's contributions, which represent 100% of the required contributions, for the years ended June 30, 2003 and 2002 and for each of the two preceding years were as follows:

Years Ended <u>June 30</u>	Percentage <u>Contribution</u>	PERS Annual Required <u>Contributions</u>
2000	100%	\$360,243
2001	100%	\$301,160
2002	100%	\$370,746
2003	100%	\$334,075

Trend information showing the progress of OPERS in accumulating sufficient assets to pay benefits when due is presented in their annual financial reports. Copies of these reports may be obtained from OPERS.

5. OTHER POST EMPLOYMENT BENEFITS

Assumptions:

Funding Method - An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used.

Investment Return - The investment assumption rate for 2001 was 8%.

Active Employee Total Payroll - An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual increases, over and above the 4.0% base increase, were assumed to range from 0.54% to 6.3%.

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2003 and 2002**

5. OTHER POST EMPLOYMENT BENEFITS (continued)

OPEB are advanced-funded on an actuarially determined basis. An entry age normal actuarial cost method is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

As of December 31, 2001, (the latest information available), the actuarial value of the Retirement System's net assets available for OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively. The number of active participants was 402,041.

In December 2001, the Board of OPERS adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverages. Choices will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit.

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

6. BOND SERVICE CHARGES PAYABLE

As required by Section 138 of H.B. 715, the Board entered into an agreement with the Ohio Building Authority (the Authority) on August 31, 1994, to pay for \$6,976,779 of the Authority's 1993 series A Bonds principal and interest carrying charges at an average interest rate of 5.77 percent. On June 25, 1997, the Board agreed to pay for an additional \$2,000,000 of the Authority's 1993 series A Bonds.

The agreement provides, in part, that upon invoicing by the Authority, the Board shall pay or cause to be paid to the Authority on or before each March 1 and September 1 an amount equal to the estimated Bond Service Charges as defined in the Trust Agreement.

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2003 and 2002**

6. BOND SERVICE CHARGES PAYABLE - Continued

On June 25, 2002, the Ohio Building Authority issued 2002 Series B new bonds at par for the purpose of refunding \$21,345,000 of Series 1993A bonds of which the Board's balance was \$6,379,567. The 2002 Series B bonds bare a true interest rate of 3.88% and will be repaid in varying principal amounts over a ten years period with the final payment on September 1, 2012. The refunded Series 1993A bonds carried an interest rate of 5.5% and also were due in varying principal amounts, with the final payment due September 1, 2012.

The following is a summary of amounts related to the refunding for the Authority and the Boards portion of the transaction:

	<u>Ohio Building Authority</u>	<u>The Board's Portion</u>
Reacquisition Price		
Proceeds from the sale of new bonds	\$23,790,871	\$6,745,516
Less Bond Issuance Costs	<u>(219,119)</u>	<u>(64,128)</u>
Amount paid to escrow agent for refunding	23,571,752	6,683,388
Net carrying amounts of old bonds	<u>21,345,000</u>	<u>6,379,568</u>
Deferred amounts on refunding	2,226,752	303,820
Additional call premium	389,943	110,562
Refunded (old) bonds		
Principal	21,324,000	6,379,568
Interest	<u>10,107,212</u>	<u>2,123,898</u>
	31,452,212	8,503,466
Refunding (new) bonds		
Principal	23,961,695	6,793,950
Interest	<u>6,101,837</u>	<u>1,489,603</u>
	30,063,532	8,283,553
Unadjusted reduction in debt service	<u>\$ 1,388,680</u>	<u>\$ 219,913</u>
Present value reduction in debt service	<u>\$ 1,129,322</u>	<u>\$ 178,839</u>



**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2003 and 2002**

6. BOND SERVICE CHARGES PAYABLE - Continued

The new debt amount has been reported net on the statement of net assets and the deferred amount and additional bond premium will be amortized as a component of interest cost over the remaining life of the new debt. Accordingly, the remaining minimum payments required under the agreement as of June 30, 2003 less applicable deferred amounts and bond premium follows:

<u>Years</u>	<u>New Debt Payment</u>	<u>Deferred Refunding Amount</u>	<u>Net Debt Payment</u>
2004	479,297	77,182	402,115
2005	505,492	69,932	435,560
2006	533,270	62,145	471,125
2007	656,704	27,831	628,873
2008	691,952	17,978	673,974
2009 and after	<u>3,437,208</u>	<u>85,015</u>	<u>3,352,193</u>
Total Principal Payments	6,303,923	<u>340,083</u>	5,963,840
Add: Interest Payments	<u>1,222,518</u>		<u>882,435</u>
Total Principal & Interest payments			<u>\$6,846,275</u>

Long term liability for the years ended June 30, 2003 and 2002 was as follows:

	<u>July 1, 2002 Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2003 Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds	\$ <u>6,379,568</u>	-	<u>415,728</u>	<u>5,963,840</u>	<u>\$402,115</u>
Total bonds	<u>\$6,379,568</u>	<u>-</u>	<u>415,728</u>	<u>5,963,840</u>	<u>\$402,115</u>

At June 30, 2003 and 2002, there was unpaid accrued interest of \$96,672 and \$81,385 respectively, which is recorded as a liability in the Enterprise Fund.

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2003 and 2002**

**7. OTHER LONG-TERM OBLIGATIONS**

Other general long-term obligations of the Board at June 30, 2003 and 2002 consisted of the following:

	June 30, 2002 Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	June 30, 2003 Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
Governmental Activities:					
Workers Compensation	\$ 35,258	330,807	(2,634)	\$ 363,431	\$ 3,009
Compensated absences	172,317	19,640	-	191,957	18,646
Business-type Activities:					
Workers Compensation	18,407	206,797	(1,269)	223,935	1,560
Compensated Absences	<u>133,209</u>	<u>151,329</u>	<u>(167,832)</u>	<u>116,706</u>	<u>9,950</u>
Total Other Long-Term Obligations	<u>\$359,181</u>			<u>\$ 896,029</u>	<u>\$ 33,165</u>

**Compensated Absences**

Compensated absences include amounts earned for vacation leave, sick leave, and personal leave that are attributable to services already rendered and will probably be paid through paid time off or some other means.

**8. RISK MANAGEMENT**

The Board 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. The Board maintains commercial insurance coverage for loss due to theft, damage, destruction of assets, errors and omission and injuries to employees. Other losses are self insured each of those risks of loss. Where insurance is maintained, management believes such coverage is sufficient to preclude any significant uninsured losses to the Board.

Insurance coverage has been maintained at the same level and there have been no uninsured losses or settlements exceeding insurance coverage for the last three years.

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2003 and 2002**

9. DEFERRED COMPENSATION

Employees of the Board may elect to participate in the Ohio Public Employees Deferred Compensation Program, a deferred compensation plan. The plan, created in accordance with Internal Revenue Service Code Section 457, permits employees to defer a portion of their salary and the related tax liability until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust solely for the exclusive benefit of the participants and their beneficiaries.

The assets and the corresponding liability to the employees participating in the program have not been reflected in the accompanying financial statements as these amounts are solely the property and obligation of the State of Ohio.

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND AND ADVISORY BOARD  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP  
BUDGETARY BASIS) GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2003**

	General Fund			Sales of Goods & Services Fund		
	Original Budget	Final Budget	Actual Plus Encumbrances	Original Budget	Final Budget	Actual Plus Encumbrances
Revenues:						
State Appropriations	\$ 2,684,679	2,684,679	2,684,679	743,606	743,606	\$ 743,606
Sales, Services and Charges	-	-	-	17,330	17,330	17,330
Investment Earnings	-	-	-	17,715	17,715	17,715
Total Revenues	2,684,679	2,684,679	2,684,679	778,651	778,651	778,651
Expenditures:						
Current:						
General Government	3,312,263	2,703,862	2,694,061	670,484	805,484	799,972
Total Budgetary Expenditures	3,312,263	2,703,862	2,694,061	670,484	805,484	799,972
Excess (Deficiency) Revenues Over (Under)						
Budgetary Expenditures	(627,584)	(19,183)	(9,382)	108,167	(26,833)	(21,321)
Other Financing Sources:						
Encumbrance Reversions	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Budgetary Expenditures	\$ (627,584)	(19,183)	(9,382)	108,167	(26,833)	(21,321)
Unreserved, Undesignated Budgetary Fund Balances (Deficits), July 1, 2002			(176,541)			570,537
Unreserved, Undesignated Budgetary Fund Balances (Deficits), June 30, 2003			\$ (185,923)			\$ 549,216

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND AND ADVISORY BOARD  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP  
BUDGETARY BASIS) GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			Sales of Goods & Services Fund		
	Original Budget	Final Budget	Actual Plus Encumbrances	Original Budget	Final Budget	Actual Plus Encumbrance
Revenues:						
State Appropriations	\$ 3,331,257	3,331,257	3,331,257	521,343	521,343	\$ 521,343
Sales, Services and Charges	-	-	-	30,353	30,353	30,353
Investment Earnings	-	-	-	29,116	29,116	29,116
Total Revenues	3,331,257	3,331,257	3,331,257	580,812	580,812	580,812
Expenditures:						
Current:						
General Government	3,761,672	3,487,758	3,361,906	670,484	805,484	666,393
Total Budgetary Expenditures	3,761,672	3,487,758	3,361,906	670,484	805,484	666,393
Excess (Deficiency) Revenues Over (Under) Budgetary Expenditures	(430,415)	(156,501)	(30,649)	(89,672)	(224,672)	(85,581)
Other Financing Sources:						
Encumbrance Reversions	-	-	47	-	-	-
Total Other Financing Sources	-	-	47	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Budgetary Expenditures	\$ (430,415)	(156,501)	(30,602)	(89,672)	(224,672)	(85,581)
Unreserved, Undesignated Budgetary Fund Balances (Deficits), July 1, 2001			(145,939)			656,118
Unreserved, Undesignated Budgetary Fund Balances (Deficits), June 30, 2002			\$ (176,541)			\$ 570,537

**STATE OF OHIO  
CAPITOL SQUARE REVIEW AND ADVISORY BOARD  
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
For the Years Ended June 30, 2003 and 2002**

**BUDGETARY BASIS OF ACCOUNTING**

Actual revenues, expenditures, encumbrances and transfers-in and transfers-out on the non-GAAP budgetary basis do not equal those reported on the GAAP-basis in the Combined

Statement of Revenues, Expenditures and Changes in Fund Balance - General and Special Revenue Funds. This difference results primarily from basic differences in the recognition of accruals, interfund transactions and from timing differences in the budgetary basis of accounting for encumbrances.

On the non-GAAP budgetary basis, encumbrances are recognized as expenditures in the year encumbered, while on the modified accrual basis, expenditures are recognized when goods or services are received regardless of the year encumbered.

A reconciliation necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental fund types is provided below:

**General and Special Revenue Funds**  
**Schedule of Reconciliation of GAAP-Basis to Non-GAAP Budgetary Basis**

**For the Fiscal Years Ended June 30, 2003 and 2002**

	<b>June 30, 2003</b>		<b>June 30, 2002</b>	
	<u>General Fund</u>	<u>Sales of Goods &amp; Services Fund</u>	<u>General Fund</u>	<u>Sales of Goods &amp; Services Fund</u>
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ (9,382)	(21,321)	\$ (30,649)	(85,581)
Net Adjustment for revenue accruals	(6,611)	5,788		4,826
Net Adjustment for expense accruals	-	(46,503)	(203,727)	(7,063)
Adjustment for health benefits over funding	-	3,578	-	-
Unrealize gain or loses on investments	-	1,280	-	218
Net Adjustment for inventory	-	20,390	-	3,834
Payment of Prior Year encumbrances	(91,318)	-	(65,079)	-
Outstanding encumbrances	(100,700)	(250)	(95,728)	(995)
Adjustment for requisitions and encumbrances	-	-		-
Encumbrance revisions	-	-	(47)	-
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP Basis)	\$ (208,011)	(37,038)	\$ (395,230)	(84,761)

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

Honorable Betty Montgomery  
Auditor of State of Ohio and  
The Capitol Square Review  
and Advisory Board  
Columbus, Ohio

We have audited the basic financial statements of the State of Ohio, the Capitol Square Review and Advisory Board (the Board), an independently audited organization that is part of the primary government of the State of Ohio, as of and for the years ended June 30, 2003 and 2002 and have issued our report thereon dated September 5, 2003, which includes an explanatory paragraph regarding the adoption of certain new accounting standards as described in Note 1 to the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing the assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we did note other matters involving the internal control over financial reporting, which we have reported to management of the Board in a separate letter dated September 5, 2003.



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

*Parms & Company, LLC*

September 5, 2003





**Auditor of State  
Betty Montgomery**

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**CAPITOL SQUARE REVIEW AND ADVISORY BOARD**

**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  
MARCH 4, 2004**