



**Auditor of State
Betty Montgomery**

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Franklin County Veterans Memorial, Franklin County, Ohio, (the Memorial), a component unit of Franklin County, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Memorial's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin County Veterans Memorial, Franklin County, Ohio, as of December 31, 2005, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2006, on our consideration of the Memorial's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

March 24, 2006

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

The discussion and analysis of the Franklin County Veterans Memorial's ("Veterans Memorial") financial performance provides an overall review of Veterans Memorial's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at Veterans Memorial's financial performance as a whole; readers are encouraged to consider information presented here as well as the financial statements to enhance their understanding of Veterans Memorial's financial performance.

FINANCIAL HIGHLIGHTS

Veterans Memorial's current financial trends are showing signs of improvement in 2005 compared to 2004, including reducing losses from operations by nearly half in the past year.

- Total net assets decreased \$19,767 from 2004.
- Operating revenues increased \$109,646 from 2004 primarily due to increased revenue from contracted business, commission from concessions and tradeshow decorators, and electrical income from tradeshow exhibitors
- Operating expenses decreased \$118,500 from 2004 primarily due to decreased salaries and wages and employee health insurance.
- Veterans Memorial received an allocation of \$270,000 from Franklin County Commissioners to restore cash reserves and to provide for the third year of a three year sales and marketing plan.

USING THIS FINANCIAL REPORT

This annual report consists of two parts, the MD&A and the financial statements. The financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets and a statement of cash flows.

STATEMENT OF NET ASSETS

This statement reports the Veterans Memorial's net assets, however, in evaluating the overall position of the Veterans Memorial's non-financial information such as changes in the information presented in the section entitled "Narrative of 2005 Operation and Current Issues" will also need to be evaluated.

Following is a summary of Veterans Memorial's net assets for 2005 compared to 2004:

	2005	2004
Current assets	\$ 236,610	\$ 321,002
Capital assets	254,592	290,221
Total assets	491,202	611,223
Current liabilities	251,178	257,774
Long term liabilities	232,333	325,991
Total liabilities	483,511	583,765
Net assets	\$ 7,691	\$ 27,458

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

The changes in net assets for the year ended December 31, 2005 as well as revenue and expense comparisons to 2004 are as follows:

	2005	2004
Total Revenues	\$ 2,005,262	\$ 1,895,616
Total Expenses	2,297,318	2,415,818
Operation loss	(292,056)	(520,202)
Non operating revenues	2,289	3,319
(Loss) before contributions	(289,767)	(516,883)
Contributions	270,000	291,518
Change in net assets	(19,767)	(225,365)
Net assets - beginning of year	27,458	252,823
Net assets - end of year	\$ 7,691	\$ 27,458

ANALYSIS OF OVERALL FINANCIAL POSITIONS AND RESULTS OF OPERATIONS

The financial position including the current assets of Veterans Memorial declined over the past year, mostly due to 2005 retirements and fewer contributions received from the Franklin County Commissioners. In order to financially stabilize Veterans Memorial's operation, the Franklin County Commissioners authorized an allocation to Veterans Memorial of \$270,000. Of these monies, \$150,000 is to be spent for increased sales and marketing activities and \$120,000 to be applied to replenishment of Veterans Memorial's reserve fund.

CAPITAL ASSETS

The Memorial has \$254,592 invested in capital assets net of depreciation. Additions included furniture and fixtures for fiscal year 2005 valued at \$10,163. Detailed information regarding capital asset activity is included in the notes to the financial statements (Note 5).

OPERATING LEASE

On July 20, 1981, by Quit Claim Deed, the Board of Trustees of Franklin County Veterans Memorial transferred ownership of all real property to the Franklin County Commissioners. This transfer was completed in order to permit the financing of an expansion to the facility. This lease was amended effective August 1, 1996. The lease, as amended, requires the Board of Trustees to pay the Commissioners annual rent. See Note 11 for more information.

IN-KIND CONTRIBUTION

The Franklin County Veterans Service Commission Service Center, which is housed in Veterans Memorial, continues to meet the needs of the estimated 13,679 veterans who lived in Franklin County in 2005. Service officers handled 8,179 inquiries in 2005 and provided more than \$2 million dollars in financial aid to veterans and their dependents. Veterans Memorial's meeting room's hosted more than 100 meetings of Central Ohio Veterans organizations in 2005.

Office space and other related facility usage are provided to the Veterans and the Franklin County Veterans Service Commission at no charge. This amount is currently estimated at \$193,996 for the year ended December 31, 2005.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NARRATIVE OF 2005 OPERATION AND CURRENT ISSUES

Financial Overview

Operations Summary

Highlights of 2005 include:

- Presidential visit and speech by George W. Bush
- Concert performances by Duran Duran, Rodney Carrington, Cedric the Entertainer, The United States Navy Band
- Ohio Homeland Security Conference Exposition
- 30th Anniversary Hosting Columbus Public Schools Commencements
- 50th Anniversary of the Columbus International Festival (20 years at Veterans Memorial)
- 25th Anniversary Hosting Dollenmayer Dance Studio Recital
- The Ohio Veterans Hall of Fame Induction Ceremony
- The Central Ohio Veterans Stand Down
- The American Legion sponsored by Four Chaplains Sunday

Facility Usage:

Veterans Memorial utilized 478 event days in fiscal year 2005. This was consistent with fiscal year 2004. North Exhibition Hall was occupied 128 event days. The West Exhibition Hall was occupied 99 event days. The Wayne Brehm Room was occupied 112 event days. The Main Auditorium was occupied 139 event days.

Sales and Marketing:

In an effort to attract new business, Veterans Memorial hired Mr. John Loree as Director of Sales and Marketing in August 2005. Loree has spent his first seven months identifying new business leads and building relationships within the city's convention and visitors bureau and hotel community. A portion of Veterans Memorial's increased revenue in 2005 can be directly attributed to the facility's more aggressive sales and marketing efforts.

In a city with a state-of-the-art convention center, two multi-purpose arenas and a large state-owned exposition center, Veterans Memorial identified its unique niche market and developed new strategies to best market its unique space in a highly competitive convention, meetings and trade show market. Initial feedback from current and prospective clients, industry partners, hoteliers and others have been positive. Some of the high profile clients that have been engaged since Mr. Loree's hiring include:

- Ross Labs Products Regional Meeting
- TenUnited Holiday Event
- Isuzu
- The Ohio Nursing Students Association
- LandMark Education Forum

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NARRATIVE OF 2005 OPERATION AND CURRENT ISSUES (Continued)

While the convention, meeting and trade show market shows promise, concert business remains slow due to factors such as increasing ticket prices, a lack of touring acts, a consolidation of major promoters and an increase in the variety and quality of concert venues in Central Ohio. To respond to these trends, Veterans Memorial has increased efforts to pursue other markets such as:

- Corporate Meetings
- Dance Competitions
- Lectures and Seminars

Other markets are being aggressively pursued for 2006 and beyond. A continuous review and analysis of sales and marketing efforts will result in additional resources dedicated to the markets which product the greatest amount of bookings and revenue.

Franklin County Commissioners and Veterans Memorial Board of Trustees:

Veterans Memorial extends its sincere thanks to the Franklin County Commissioners for their continued support. The Veterans Memorial Board of Trustees and management staff look forward to working closely with the Commissioners in 2006 and beyond to maximize the facility's contribution to the Franklin County community.

The Veterans Memorial management staff is fortunate to have a dedicated Board of Trustees comprised of community-minded individuals dedicated to the health and wealth-being of both the convention and meeting facility and of our county's veterans. The Board of Trustees members are not compensated for the many hours of work done on behalf of Veterans Memorial and their dedication is be recognized and commended.

CONTACTING THE FRANKLIN COUNTY VETERANS MEMORIAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of Franklin County with a general overview of Veterans Memorial's finances and operations. If you have questions about this report or need additional financial information, please contact Richard P. Nolan, General Manager, Veterans Memorial, 300 West Broad Street, Columbus, Ohio 43215.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

Assets

Current Assets

Cash and Cash Equivalents	\$ 137,139
Receivables:	
Accounts	39,401
Prepaid items	60,070
	236,610
Total Current Assets	236,610

Noncurrent Assets:

Capital assets:

Depreciable capital assets, net	254,592
	254,592
<i>Total Noncurrent Assets</i>	254,592

<i>Total Assets</i>	491,202
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Liabilities

Current Liabilities:

Accounts Payable	30,163
Accrued Wages	35,044
Intergovernmental Payable	55,729
Compensated Absences Payable	-
Deferred Revenue	130,242
	251,178
<i>Total Current Liabilities</i>	251,178

Long-Term Liabilities

Compensated Absences Payable	232,333
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<i>Total Long-Term Liabilities</i>	232,333
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<i>Total Liabilities</i>	483,511
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Net Assets

Invested in Capital Assets	254,592
Unrestricted	(246,901)
	7,691

<i>Total Net Assets</i>	\$ 7,691
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See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Operating Revenues	
Charges for services	\$ 2,005,262
<i>Total Operating Revenues</i>	<u>2,005,262</u>
Operating Expenses	
Salaries	1,039,225
Fringe benefits	402,543
Purchased services	464,665
Materials and supplies	121,271
Repairs and maintenance	158,853
Depreciation	45,792
Other	64,969
<i>Total Operating Expenses</i>	<u>2,297,318</u>
<i>Operating (Loss)</i>	<u>(292,056)</u>
Non-Operating Revenue	
Interest	<u>2,289</u>
<i>Total Non-Operating Revenue</i>	<u>2,289</u>
<i>Loss before Contributions</i>	(289,767)
Contributions	<u>270,000</u>
<i>Change in Net Assets</i>	(19,767)
<i>Net Assets Beginning of Year</i>	<u>27,458</u>
<i>Net Assets End of Year</i>	<u><u>\$ 7,691</u></u>

See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 2,031,986
Cash Payments to Employees for Services	(1,016,823)
Cash Payments to Employee Benefits	(310,642)
Cash Payments for Goods and Services	<u>(1,070,822)</u>
<i>Net Cash Used by Operating Activities</i>	<u>(366,301)</u>
Cash Flows from Non-Capital Financing Activities	
Cash Received from Primary Government	<u>270,000</u>
<i>Net Cash Provided by Non-Capital Financing Activities</i>	<u>270,000</u>
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	<u>(10,163)</u>
<i>Net Cash (Used in) Capital and Related Financing Activities</i>	<u>(10,163)</u>
Cash Flows from Investing Activities	
Interest Received from Investments	<u>2,289</u>
<i>Net Cash Provided by Investing Activities</i>	<u>2,289</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(104,175)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>241,314</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 137,139</u></u>

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

Operating loss	\$ (292,056)
Adjustments:	
Depreciation	45,792
(Increase) decrease in assets:	
Accounts receivable	(10,710)
Prepaid items	(9,074)
Increase (decrease) in liabilities:	
Accounts payable	10,102
Accrued wages	(1,174)
Compensated absences payable	(132,571)
Deferred revenue	37,433
Intergovernmental payable	<u>(14,043)</u>
<i>Net Cash Used by Operating Activities</i>	<u><u>\$ (366,301)</u></u>

Non-Cash Activities

In-Kind Contributions for space provided to Veterans Service Commissioner were \$193,996

See accompanying notes to the basic financial statements.

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**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. DESCRIPTION OF VETERANS MEMORIAL AND REPORTING ENTITY

The Franklin County Veterans Memorial ("the Memorial") is a non-profit corporation established pursuant to the Ohio Revised Code Section 345. The Board of Trustees has the authority to exercise all the powers and privileges provided under the law. The purpose of the Memorial is to commemorate the services of all members and veterans of the armed forces of the United States. The Memorial serves the citizens of Franklin County by providing facility rental space. It is also a center for activity for veterans meetings and programs. The offices of the Franklin County Veterans Service commission are also located in this facility which is not considered a part of the Memorial.

The Memorial is governed by a board of eleven trustees appointed by the County Commissioners of Franklin County ("the County"). The Board of Trustees shall, at all times, be so constituted that at least seven of its members are honorably discharged veterans of the armed forces of the United States, having served in one or more wars in which the United States was a belligerent.

The Memorial is a discretely presented component unit of Franklin County ("the County"), the primary government, in which they are fiscally dependent; however, the County does not control the day to day operations of the Memorial. The Memorial is owned by the County whereby the Board of Trustees leases it under an agreement that extends until 2013. Under the agreement, the Memorial pays the County rent equal to the Memorial's annual net income from operations plus all reserves in excess of \$250,000. In the past two years (2004, and 2005), there has been no rent paid to the County whereby imposing a financial burden on the County (see Note 11).

The County has issued general obligation bonds to finance renovations and improvements to the Memorial, which is reported on the County's financial statements.

Component units are legally separate organizations for which the Memorial is financially accountable. The Memorial is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Based upon the application of these criteria, the Memorial has no component units. The Memorial is a component unit of Franklin County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

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

Measurement Focus

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

Basis of Accounting

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

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

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

Cash and Cash Equivalents

During 2005, the Memorial's only investment was in the State Treasury Assets Reserve of Ohio ("STAR Ohio"). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005. Interest earned is reported as non-operating revenues in the amount of \$2,289.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

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

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

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-term Obligations

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

Net Assets

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

There are no restricted net assets externally imposed.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

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

Contributions

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

The Memorial received a \$270,000 contribution from Franklin County.

Contributions of Capital

Contributions of capital arise from outside contributions of capital assets or from outside contributions of resources restricted to capital acquisition and construction. The Memorial did not have any contributions of capital during 2005.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. DEPOSITS AND INVESTMENTS

Cash on Hand

At year-end, the Memorial had \$1,200 in undeposited cash on hand which is included on the statement of net assets as part of "cash and investments."

Deposits

At year-end, the carrying amount of the Memorial's deposits was \$88,436 and the bank balance was \$110,991. The bank balance was covered by federal depository insurance or collateralized by the financial institution's public entity deposit pool at December 31, 2005.

Investments of the Memorial as of December 31, 2005 consisted of Star Ohio. At year-end, the fair value of the Memorial's investment was \$47,503. Star Ohio's maturity in years was .003.

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

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

4. ACCOUNTS RECEIVABLE

Receivables at December 31, 2005 consisted of billings for user charged services and are shown at their net realizable value. Management believes all receivables are fully collectible; however, any uncollectible amounts are charged to operations during the period in which they are determined to be uncollectible. There was no bad debt expense at December 31, 2005.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

5. CAPITAL ASSETS

Reconciliation of beginning and ending balances for the year ended December 31, 2005

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Leasehold Improvements			
Buildings	\$ 766,551	\$ 0	\$ 766,551
Leasehold Improvements			
North Hall	20,157	0	20,157
Equipment	1,595,394	0	1,595,394
Vehicles	29,619	0	29,619
Furniture and Fixtures	287,496	10,163	297,659
Cafeteria Equipment	<u>340,497</u>	<u>0</u>	<u>340,497</u>
Subtotal	3,039,714	10,163	3,049,877
Less: Accumulated Depreciation	<u>(2,749,493)</u>	<u>(45,792)</u>	<u>(2,795,285)</u>
Net Capital Assets	<u>\$ 290,221</u>	<u>\$ (35,629)</u>	<u>\$ 254,592</u>

6. RISK MANAGEMENT

The Memorial is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005, the Memorial along with the County Commissioners contracted with its agent Defusco & Associates for blanket building and its contents. All other coverages were not combined with the County Commissioners. Coverages provided by Defusco & Associates are as follows:

<u>Coverage</u>	<u>Replacement Value</u>	<u>Deductible</u>
Building and its contents	\$38,460,000	\$5,000
Terrorism limit	Included above	Included above
Business income and extra Expense	1,000,000	24 hours*
Automobile	1,000,000	Deductible varies
Crime (employee, forgery, money inside and outside, and non-compensated Employees)	50,000	500
Boiler and machinery	5,000,000	1,000 – 2,500
Other boiler coverage	25,000 – 1,250,000	24 hours *
General liability	1,000,000 – 2,000,000	No deductible
Umbrella	15,000,000	No deductible

* Policy holder incurs losses for the first 24 hours

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. RISK MANAGEMENT (Continued)

The Memorial also provides health insurance, dental, and vision coverage to full-time employees through a private carrier. The Memorial is billed by its primary government on a monthly basis for the cost of health insurance.

7. DEFERRED COMPENSATION PLAN

As of December 31, 2005 various employees of the Memorial had elected to participate in the deferred compensation plan offered by the Memorial and administered by the Ohio Public Employees Deferred Compensation Board. This deferred compensation plan is a defined contribution program under Section 457 of the Internal Revenue Code. All assets and income of the plan must be held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, the assets and liabilities of the plan are not reflected in the financial statements of the Memorial.

8. PENSION PLAN

The Memorial participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Memorial's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Memorial's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$247,055, \$270,439, and \$266,117 respectively; 100 percent has been contributed for 2004 and 2003. As of December 31, 2005, an intergovernmental payable of \$24,517 represents the remaining 2005 unpaid portion.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00% to 6.00% annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund post-employment benefits were \$44,817. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

10. COMPENSATED ABSENCES

Franklin County Veterans Memorial employees earn vacation leave at various rates ranging from two to five weeks per year based upon years of service. Sick leave is accumulated at the rate of three weeks per year. Vacation pay is vested after one year and sick pay is generally vested after eight years of service. Vested vacation and sick leave are recorded as expense when earned. The liability below represents amounts as of December 31, 2005 that was due to employees upon retirement or termination of their employment.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

10. COMPENSATED ABSENCES (Continued)

Changes in Long-Term Liabilities for the year ended December 31, 2005

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated Absences	\$ 364,904	\$ 39,404	\$ (171,975)	\$ 232,333

11. OPERATING LEASE

On July 20, 1981, by Quit Claim Deed, the Board of Trustees of Franklin County Veterans Memorial transferred ownership of all real property to the Franklin County Commissioners. This transfer was completed in order to permit the financing of an expansion to the facility. This lease was amended effective August 1, 1996. The lease, as amended, requires the Board of Trustees to pay the Commissioners annual rent as follows:

The annual net income from operation of the premises plus all reserves over \$250,000 (excess reserves) which will be retained by the Board of Trustees as a capital improvement and repair account. Lease expense is calculated by subtracting liabilities from specifically identified current assets.

There was no amount due for 2005. The computation is as follows:

	2005
Specifically identified assets in excess of liabilities	\$ (246,901)
Reserve amount to be retained	<u>(250,000)</u>
Reserve fund deficit	<u>\$ (496,901)</u>

12. CONCENTRATIONS

Franklin County Veterans Memorial receives the majority of its revenues from Booking and Parking Lot revenues from events in the Columbus, Ohio area. Although not anticipated, a significant decrease in either of these revenue types could adversely effect the financial position and operations of the facility. In 2005, these two items constituted 59% of operating revenues.



Auditor of State Betty Montgomery

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

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

To the Board of Trustees:

We have audited the basic financial statements of Franklin County Veterans Memorial, Franklin County, Ohio, (the Memorial); a component unit of Franklin County, as of and for the year ended December 31, 2005, and have issued our report thereon dated March 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Memorial's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Memorial's management dated March 24, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Memorial's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Memorial's management dated March 24, 2006, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Franklin County Veterans Memorial
Franklin County
Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

March 24, 2006

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-001

Vendor Payment

Finding for Recovery Repaid Under Audit

On August 17, 2005, an expense for \$3,619.49 was completed and submitted to the vendor "Contract Sweepers & Equipment". The obligation for this vendor was \$1,287.05 as documented on the invoice. The difference of the obligation and what was paid \$2,332.44. After further investigation, it was concluded that a water obligation of \$2,332.44 was erroneously added to the "Contract Sweeper & Equipment" bill.

In accordance with foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money that has been illegally expended would have been issued against Mr. Richard Nolan, General Manager and "Contract Sweepers & Equipment", Vendor, in the amount of \$2,332.44.

The above finding was paid by the vendor "Contract Sweepers & Equipment". The refund check was reduced by other obligations of \$590.63 incurred by Veterans Memorial for services performed by "Contract Sweepers & Equipment". After deducting this liability, on March 29, 2006 check number 15889 from "Contract Sweepers & Equipment" was receipted by Veterans Memorial on receipt number 384 for \$1,741.81.

Officials' Response

Veterans Memorial recognizes the importance of the accuracy of each vendor payment. Management and staff will review each invoice and match it carefully against the payment check. Special attention will be paid to non-monthly invoice payments.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-001	Receipts were not deposited timely.	Partially	Repeated in Management Letter
2005-002	Segregation of duties.	Yes	Corrected
2005-003	Lack of deposit support.	Yes	Corrected
2005-004	Lack of an Effective Monitoring control system.	Yes	Corrected



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
JULY 06, 2006**