



Dave Yost • Auditor of State

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Franklin County Veterans Memorial
Franklin County
280 East Broad Street
Columbus, Ohio 43215

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Franklin County Veterans Memorial, Franklin County, Ohio (the Memorial), a component unit of Franklin County, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Memorial's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin County Veterans Memorial, Franklin County as of December 31, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Memorial will continue as a going concern. As discussed in Note 14 to the financial statements, the Memorial has suffered recurring losses from operations and has disclosed that substantial doubt exists about its ability to continue as a going concern. Note 14 describes Management's evaluation of these events and conditions and their plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is unmodified regarding this matter.

Emphasis of Matter Regarding GASB 68 and 71

Also as discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the Government adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the Memorial's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Memorial's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

September 28, 2018

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**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The discussion and analysis of the Franklin County Veterans Memorial's ("the Memorial") financial performance provides an overall review of The Memorial's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the Memorial's financial performance as a whole; readers are encouraged to consider information presented here as well as the financial statements to enhance their understanding of the Memorial's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position decreased \$194,244 which represents a 22.46% from 2014. The decrease in Net Position is primarily due to closure of operations.
- Total operating revenues decreased \$1,718,020 which represents a 94.73% change from 2014.
- Total operating expenses decreased \$2,305,507 which represents a 84.02% change from 2014.

USING THIS FINANCIAL REPORT

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

STATEMENT OF NET POSITION

This statement reports the Memorial's net position, however, in evaluating the overall position of the Memorial's non-financial information such as changes in the information presented in the section entitled "Narrative of 2015 Operation and Current Issues" will also need to be evaluated.

Following is a summary of the Memorial's net position for 2015 compared to 2014:

	2015	Restated 2014
Current assets	\$ 12,513	\$ 69,073
Noncurrent assets	14,307	3,899
Capital assets	-	165,295
Total assets	26,820	238,267
Deferred Outflows - Pension	58,222	112,926
Current liabilities	26,828	78,611
Long term liabilities	792,175	943,180
Total liabilities	819,003	1,021,791
Deferred Inflows - Pension	130,881	-
Net Investment in Capital Assets	-	165,295
Unrestricted Net Position	(864,842)	(835,893)
Net Position	\$ (864,842)	\$ (670,598)

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

ANALYSIS OF OPERATIONS

The changes in net position for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>Restated 2014</u>
Total Operating Revenues	\$ 95,656	\$ 1,813,676
Total Operating Expenses	438,205	2,743,712
Operating loss	<u>(342,549)</u>	<u>(930,036)</u>
Non Operating Revenues	313,600	1,148,914
Non Operating Expenses	<u>(165,295)</u>	<u>0</u>
Net income before contributions	<u>148,305</u>	<u>1,148,914</u>
Change in net position	(194,244)	218,878
Net position - beginning of year	<u>(670,598)</u>	NA
Net position - end of year	<u>\$ (864,842)</u>	<u>\$ (670,598)</u>

Total Operating Revenues in 2015 decreased by 94.73%. Contributing to the decrease in operating revenue was a cessation of event and facility operations as instructed by the Franklin County Commissioners.

CAPITAL ASSETS

The Memorial has no Net Investment in Capital Assets. There were \$3,158,987 in deletions to equipment, furniture and fixtures, and building improvements for fiscal year 2015. Detailed information regarding capital asset activity is included in the notes to the financial statements (Note 6).

OPERATING LEASE

On July 20, 1981, by Quit Claim Deed, the Board of Trustees of the Memorial transferred ownership of all real property to the Franklin County Commissioners. This transfer was completed in order to permit the financing of an expansion to the facility. This lease was amended effective August 1, 1996. Detailed information regarding the lease computation is included in the notes to the financial statements (Note 12).

CESSATION OF OPERATIONS

At the direction of the Franklin County Board of Commissioners, the Memorial ceased its event and facility operations at the end of July 2014. The Commissioners thereby directed the preparation of the facility for demolition. Demolition of the Memorial began and concluded in 2015, at which time control of the property was transferred to another entity at the discretion of the Commissioners.

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

GASB 68

During 2015, the Memorial adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Memorial's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Memorial's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Memorial is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

In accordance with GASB 68, the Memorial's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Memorial is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$155,757 to (\$670,598).

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Assets	<u>2015</u>
Current Assets	
Cash and cash equivalents	\$ 11,078
Accounts receivable	210
Prepaid items	<u>1,225</u>
Total Current Assets	<u>12,513</u>
Noncurrent Assets:	
Net pension asset	<u>14,307</u>
Total Noncurrent Assets	<u>14,307</u>
 Total Assets	 <u>26,820</u>
Deferred Outflows of Resources	
Pension	<u>58,222</u>
Liabilities	
Current Liabilities:	
Accounts payable	18,704
Accrued wages	2,878
Compensated absences payable	<u>5,246</u>
Total Current Liabilities	<u>26,828</u>
Long-Term Liabilities	
Net pension liability	<u>792,175</u>
Total Long-Term Liabilities	<u>792,175</u>
 Total Liabilities	 <u>819,003</u>
Deferred Inflows of Resources	
Pension	<u>130,881</u>
Net Position	
Unrestricted	(864,842)
Total Net Position	<u><u>\$ (864,842)</u></u>

See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF REVENUES,
EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>
Operating Revenues	
Charges for services	\$ 95,656
Total Operating Revenues	<u>95,656</u>
Operating Expenses	
Salaries	181,196
Fringe benefits	81,234
Purchased services	96,996
Materials and supplies	5,739
Repairs and maintenance	55,022
Other	18,018
Total Operating Expenses	<u>438,205</u>
Operating Loss	(342,549)
Non-Operating Revenue (Expenses)	
County contributions	313,600
Loss on abandonment of assets	<u>(165,295)</u>
Total Net Non-Operating Income	<u>148,305</u>
Change in Net Position	(194,244)
Net Position Beginning of Year - Restated	<u>(670,598)</u>
Net Position End of Year	<u>\$ (864,842)</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, 2015**

Increase (Decrease) in Cash and Cash Equivalents	<u>2015</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 95,656
Cash Payments to Employees for Services	(191,528)
Cash Payments to Employee Benefits	(57,062)
Cash Payments for Goods and Services	<u>(215,802)</u>
Net Cash Used for Operating Activities	<u>(368,736)</u>
Cash Flows from Non-Capital Financing Activities	
Proceeds on contribution - primary government	<u>313,600</u>
Net Cash Provided by Non-Capital Financing Activities	<u>313,600</u>
Net Decrease in Cash and Cash Equivalents	(55,136)
Cash and Cash Equivalents Beginning of Year	<u>66,214</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 11,078</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	\$ (342,549)
Adjustments:	
(Increase) decrease in assets:	
Prepaid items	1,424
Net pension asset	(10,408)
Decrease in deferred outflows of resources - Pension	54,704
Increase (decrease) in liabilities:	
Accounts payable	(22,888)
Accrued wages	(12,622)
Compensated absences payable	2,290
Intergovernmental payable	(18,563)
Net pension liability	(151,005)
Increase in deferred inflows of resources - Pension	130,881
Net Cash Used for Operating Activities	<u><u>\$ (368,736)</u></u>

See accompanying notes to the basic financial statements.

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**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. DESCRIPTION OF VETERANS MEMORIAL AND REPORTING ENTITY

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

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

The Memorial is a discretely presented component unit of Franklin County (“the County”), the primary government, in which they are fiscally dependent; however, the County does not control the day to day operations of the Memorial. The Memorial is owned by the County whereby the Board of Trustees leases it under an agreement that extends until 2015. Under the agreement, the Memorial pays the County rent equal to the Memorial’s annual net income from operations plus all reserves in excess of \$250,000. In the previous four years (2015, 2014, 2013 and 2012), there has been no rent paid to the County whereby imposing a financial burden on the County (see Note 12).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Memorial have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Memorial adopted GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the applicable pronouncement and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The more significant of the Memorial’s accounting policies are described below.

Basis of Presentation

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The Memorial uses enterprise accounting to maintain its financial records during the year. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting is used to account for any activity for which a fee is charged to external users for goods or services.

Measurement Focus

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

Basis of Accounting

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

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

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

Cash and Cash Equivalents

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. There is no minimum capitalization threshold. Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation (Continued)

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 6.

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

Compensated Absences

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

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

Pensions and Long-term Obligations

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Accrued Liabilities

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

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Memorial or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The only positive component of net position consists of Investment in Capital Assets of which there is no attributable debt.

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(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.

Abandonment of Assets

The Memorial abandoned all Capital Assets in 2015 due to cessation of operations and demolition of its facility resulted in a loss on abandonment of asset of \$165,295. See Note 6. .

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

Other Contributions for the Primary Government

Additional Contributions of \$313,600 were received from the Franklin County in 2015 in order to meet the Memorial's financial obligations.

Contributions of Capital

Contributions of capital arise from outside contributions of capital assets or from outside contributions of resources restricted to capital acquisition and construction. The Memorial did not have any contributions of capital during 2015.

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. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the Memorial implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION (Continued)

	Activities
Net position December 31, 2014	\$155,757
Adjustments:	
Net Pension Liability	(943,180)
Net Pension Asset	3,899
Deferred Outflow - Payments Subsequent to Measurement Date	112,926
Restated Net Position December 31, 2014	(\$670,598)

Other than employer contributions subsequent to the measurement date, the Memorial made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

The investment and deposit of the Memorial's monies is governed by the provisions of the ORC. In accordance with these statutes, the Memorial is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; repurchase agreement secured by United States obligations; and STAROhio. At December 31, 2015, the Memorial only had deposits with financial institutions.

Custodial Credit Risk - is the risk that in the event of bank failure, the Memorial's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution.

**FRANKLIN COUNTY VETERANS MEMORIAL
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Memorial's name. The Memorial complied with the provisions of these statutes.

At year-end, the carrying amount of the Memorial's cash was \$11,078, inclusive of \$350 in cash on hand. The bank balances were \$10,238, of which all was covered by FDIC.

5. ACCOUNTS RECEIVABLE

Receivables at December 31, 2015 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.

6. CAPITAL ASSETS

Reconciliation of beginning and ending balances for the year ended December 31, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance
Leasehold Improvements				
Buildings	794,536	-	794,536	-
Leasehold Improvements				
North Hall	20,157	-	20,157	-
Equipment	1,656,555	-	1,656,555	-
Furniture and Fixtures	347,242	-	347,242	-
Cafeteria Equipment	340,497	-	340,497	-
Total depreciable assets	3,158,987	-	3,158,987	-
Less: Accumulated Depreciation				
Building and Improvement	(752,846)	-	(752,846)	-
Machinery and Equipment	(2,258,861)	-	(2,258,861)	-
Total	(3,011,707)	-	(3,011,707)	-
Depreciable Capital Asset, net	147,280	-	147,280	-
Website Development	56,685	-	56,685	-
Less: Accumulated Depreciation	(38,670)	-	(38,670)	-
Website Development costs, net	18,015	-	18,015	-
				-

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

7. RISK MANAGEMENT

The Memorial is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2010, the Memorial along with the County Commissioners contracted with its agent Defusco & Associates for blanket building and its contents. All other coverages were not combined with the County Commissioners. Settlements did not exceed coverage for each of the last three years. Coverage provided by Defusco & Associates are as follows:

<u>Coverage</u>	<u>Aggregate Limit</u>
D&O Liability	1,000,000
Employment liability	1,000,000

The Memorial purchased health, dental and vision coverage for full-time employees through the Franklin County Cooperative Health Benefits Program. The Memorial is currently billed by Franklin County on a monthly basis for the cost of health insurance. There are no current amounts due at December 31, 2015.

8. DEFERRED COMPENSATION PLAN

As of December 31, 2015, one employee 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.

9. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Memorial's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Memorial's obligation for this liability to annually required payments. The Memorial cannot control benefit terms or the manner in which pensions are financed; however, the Memorial does receive the benefit of employees' services in exchange for compensation including pension.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Memorial employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Memorial employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Memorial's contractually required contribution was \$15,081 for 2015.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Memorial's proportion of the net pension liability was based on the Memorial's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate Share of the Net Pension Liability	\$792,175
Proportion of the Net Pension Liability	0.656800%
Pension Expense	\$39,253

At December 31, 2015, the Memorial reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$43,141
Memorial contributions subsequent to the measurement date	<u>15,081</u>
Total Deferred Outflows of Resources	<u><u>\$58,222</u></u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$18,282
Changes in proportion and differences between Memorial's contributions and proportionate share of contributions	<u>112,599</u>
Total Deferred Inflows of Resources	<u><u>\$130,881</u></u>

\$15,081 reported as deferred outflows of resources related to pension resulting from Memorial contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

Year Ending December 31:	<u>OPERS</u>
2016	\$47,719
2017	47,719
2018	(8,580)
2019	(1,126)
2020	371
2021-2025	<u>1,637</u>
Total	<u><u>\$87,740</u></u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio.

The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Memorial's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Memorial's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Memorial's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Memorial's proportionate share of the net pension liability	\$1,457,374	\$792,175	\$231,916

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the

Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employers contributed at a rate of 14.00% of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

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

B. Funding Policy (Continued)

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post- employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0% during calendar year 2015. The portion of employer contributions allocated to health care for members in the Combined Plan was 2% during calendar year 2015. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. Information from employer's records

The rates stated in Section B, above, are the contractually required contribution rates for OPERS. As part of this disclosure, it will be necessary for the employer to disclose the employer contributions actually made to fund post-employment benefits. The portion of your employer contributions that were used to fund post-employment benefits can be approximated by multiplying actual employer contributions for calendar year 2015 by 0.0714 for state and local employers.

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

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

11. COMPENSATED ABSENCES

The Memorial employees earn vacation leave at various rates ranging from two to five weeks per year based upon years of service. Sick leave is accumulated at the rate of three weeks per year. Vacation pay is vested after one year and sick pay is generally vested after eight years of service. Vested vacation and sick leave are recorded as expense when earned. The liability below represents amounts as of December 31, 2015 that was due to employees upon retirement or termination of their employment. Of this amount, the entire balance is expected to be paid within one year.

Changes in Long-Term Liabilities for the year ended December 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within 1-Year
Compensated Absences	\$ 2,956	\$ 2,290	\$ -	\$ 5,246	\$ 5,246
	\$ 2,956	\$ 2,290	\$ -	\$ 5,246	\$ 5,246

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

12. OPERATING LEASE

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

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

There was no amount due for 2015 due to the demolition of the premises themselves.

13. CONCENTRATIONS

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

14. MANAGEMENT PLAN

For fiscal year 2015, the Memorial had an operating loss of (\$342,549) and ending net position of (\$864,842). Operating loss was (\$930,036) during 2014. Franklin County provided \$313,600 in additional contributions during 2015.

On August 20, 2013, the Franklin County Commissioners unveiled to the Memorial's Board of Trustees a conceptual plan for the Scioto Peninsula which included the construction of the New Veterans Memorial. As a result, the Board of Trustees decided on September 18, 2013 that the Memorial will cease operations on July 31, 2014. The Memorial ceased event and facility operations by that date and worked with customers to reimburse monies owed for deposits on events scheduled after the date of cessation of operations. Daily parking operations continued through the remainder of 2014 and ended in July 2015.

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

The Memorial concluded demolition of the existing structure during 2015. The date of transfer of the property was July 24, 2015. As of the date of this report the Memorial continues to exist for the purpose of closing out transactions related to past operations.

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FRANKLIN COUNTY VETERANS MEMORIAL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE MEMORIAL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
- TRADITIONAL PLAN

LAST TWO YEARS (1)

	<u>2015</u>	<u>2014</u>
Memorial's Proportion of the Net Pension Liability	0.00656800%	0.00656800%
Memorial's Proportionate Share of the Net Pension Liability	\$ 792,175	\$ 943,180
Memorial's Covered-Employee Payroll	\$ 181,196	\$ 906,240
Memorial's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	437.19%	104.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2014 is not available.

FRANKLIN COUNTY VETERANS MEMORIAL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF MEMORIAL CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
COMBINED ALL PLANS

LAST THREE YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 15,081	\$ 112,926	\$ 158,661
Contributions in Relation to the Contractually Required Contribution	<u>\$ (15,081)</u>	<u>\$ (112,926)</u>	<u>(158,661)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Memorial Covered-Employee Payroll	181,196	\$ 906,240	\$ 1,186,810
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.37%

(1) Information prior to 2013 is not available.



Dave Yost • Auditor of State

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

Franklin County Veterans Memorial
Franklin County
280 East Broad Street
Columbus, Ohio 43215

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Franklin County Veterans Memorial, Franklin County, (the Memorial), a component unit of Franklin County, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Memorial's basic financial statements and have issued our report thereon dated September 28, 2018, wherein we noted the Memorial has suffered recurring net losses from operations and has disclosed that substantial doubt exists about its ability to continue as a going concern. In addition we also noted the Memorial has implemented the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Memorial's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Memorial's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-002 and 2015-003.

Memorial's Responses to Findings

The Memorial's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Memorial's response and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

September 28, 2018

FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015

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

Finding Number 2015-001

Financial Statement Adjustments - Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the governing authority, and is an essential control to help ensure the information provided to the readers of the financial statements is complete and accurate. In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

When the Memorial prepared their original financial statements they had not been prepared including changes required by implementing GASB 68. As a result, multiple adjustments were required to their financial statements in order to be fairly presented.

In the Statement of Cash Flows, the Reconciliation of Operating Loss to Net Cash Used for Operating Activities excluded entries associated with Net Pension Assets, Deferred Outflows of Resources-Pension, Net Pension Liabilities, and Deferred Inflows of Resources totaling \$24,172. Accordingly, within the Statement of Revenues, Expenses and Change in Net Position, Operating Expenses were understated by the same amount. Lastly, within the Statement of Net Position, Total Assets were understated by \$14,307, Deferred Outflows of Resources were understated by \$58,222, Deferred Inflows of Resources were understated by \$130,881, and Long Term Liabilities were understated by \$792,175. The Memorial's financial statements and accounting records have been adjusted to accurately reflect these adjustments.

We recommend the Memorial's Treasurer take steps to help ensure the accurate presentation of the financial statements. Financial transactions should be posted in accordance with procedures established by generally accepted accounting principles (GAAP). By exercising caution in recording financial activity, the Memorial can help reduce posting errors and increase the reliability of the financial data throughout the year and at year-end.

The Treasurer should review the audit adjustments identified above to help ensure that similar errors are not reported in subsequent years. In addition, the Memorial should adopt policies and procedures over financial reporting, including a final review of the financial statements.

Official's Response: We will implement and report the GASB 68 computation prior to filing the financial statements for the year ended December 31, 2016.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015
(Continued)**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2015-002

Finding for Recovery – Improper Severance

The Personnel Manual of the Franklin County Veteran’s Memorial stated that upon separation or death from Veterans Memorial service, an employee is entitled to compensation for any earned but unused vacation leave credit for the current year at the time of separation or death. The maximum amount of vacation for which payment may be made upon separation is that accrued with the permission of the Board, in the three years of service immediately preceding the employee’s separation.

On December 11, 2014, the Franklin County Veteran’s Memorial paid Rodney Myers a check for severance compensation for earned but unused vacation leave in the amount of \$13,122. The leave records of Franklin County Veteran’s Memorial stated that Rodney Meyer’s had 70 hours of accumulated vacation leave as of January 1, 2014. However, the severance payment made on December 11, 2014 was based on a carryover leave balance on January 1, 2014 of 150 hours. Therefore, Rodney Meyers received an overpayment for 80 hours of unearned leave at an hourly rate of \$62.70 for a total of \$5,016.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mr. Rodney Myers in the amount of \$5,016, and in favor of Franklin County Veteran’s Memorial in the amount of \$5,016.

Official’s Response: Refer to Finding Number 2015-004.

Finding Number 2015-003

Finding for Recovery Repaid Under Audit – Rental Fees

Section 6 of a Concession Service Agreement between the Franklin County Veterans Memorial (the Memorial) Board of Trustees, and Concessions by Cox of Ohio, Inc. (Concessions by Cox) states, “as part of the consideration for the Board granting the concession rights herein, Operator shall pay the Board a monthly rental fee of:

- (a) 20.1% of the gross receipts for concession food and non-alcoholic beverage sales;
- (b) 17.5% of the gross receipts for banquet and catering food sales;
- (c) 27.5% of the gross receipts for alcoholic beverage sales for concessions, banquet or catering alcoholic beverage sales;
- (d) \$1 per transaction for ATM transactions;
- (e) 10% of gross revenues for third party concession food service subcontractors, including, but not limited to specialty coffee operator;
- (f) 50% of the gross receipts from cash sponsorship related to events held at the Premises that were secured by the Operator; and
- (g) 50% of each Buy-Out.”

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015
(Continued)**

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2015-003 (Continued)

Finding for Recovery Repaid Under Audit – Rental Fees (Continued)

Concessions by Cox incorrectly calculated rental fees related to gross sales of food concessions, alcoholic and non-alcoholic beverages, and collections from third party concession food service contractors during the timeframe of 2011 through 2013. In addition, Concessions by Cox failed to pay the Memorial the amount of rental fees owed for the months of March of 2011, March of 2013, October through December of 2013, and January through April of 2014. As a result Concessions by Cox underpaid the Memorial a total of \$121,939 as outlined below.

Year	Description	Amount
2011	Gross Sales was not correctly calculated per records of event sales	\$ 1,249
2011	March of 2011 rental fee not paid to the Memorial	19,929
2012	Gross Sales was not correctly calculated per records of event sales	6,190
2013	March, October, November, and December of 2013 rental fee not paid to the Memorial	43,412
2013	Gross Sales was not correctly calculated per records of event sales	27
2014	January, February, March and April of 2014 rental fee not paid to the Memorial	51,132
Total due but uncollected:		\$121,939

Rodney Myers, General Manager of the Memorial, incurred personal debt with Concessions by Cox in 2012. Due to lack of collection on the debt, Concessions by Cox wrote off the debt owed by Rodney Myers against the amount of rental fees Concessions by Cox owed to the Memorial.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Charles Cox, President of Concessions by Cox of Ohio, Inc., in the amount of \$121,939, and in favor of Franklin County Veterans Memorial in the amount of \$121,939.

The Franklin County Veterans Memorial received check number 6840 from Concessions by Cox of Ohio, Inc. on November 9, 2018.

Official's Response: Refer to Finding Number 2015-004.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015
(Continued)**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2015-004

Material Weakness – Internal Controls over Rental Fees

The Memorial collected rental fees based on a Concession Service Agreement with Concessions by Cox, Inc. from 2010 through 2014 when operations ceased. The Concession Service Agreement was not formally signed by the parties, but was utilized as a basis for rental fees calculated and paid to the Memorial.

The job description of the Memorial's General Manager included the responsibility to oversee the catering and concessions operations of the Memorial. The General Manager should have implemented internal controls to oversee the Service Agreement between the Memorial and Concessions by Cox, and to monitor monthly commissions collected based on commission information provided by Concessions by Cox.

During the timeframe in which the Memorial ceased operations on July 31, 2014 through December 31, 2015, the Memorial had a responsibility to ensure that all monies owed to the Memorial were collected upon. However, there were not internal controls in place to ensure all monthly rental fee payments owed during the timeframe of the Agreement with Concessions by Cox had been collected and deposited by the Memorial. Events were held at the Memorial through April of 2014 and the Memorial did not identify that Concessions by Cox hadn't remitted a monthly rental fee payment for any month after September of 2013. In addition past receipt collections were not reviewed to ensure the completeness of collections during the course of the contract. Large annual events were held at the Memorial in March of each year. However, Concessions by Cox did not pay a rental fee for the month of March in 2011, 2013, or 2014.

See Finding Number 2015-003 for the resulting finding for recovery.

To improve accountability over rental fee receipts, the Memorial should establish policies and procedures over the rental fee process to ensure the accuracy of all collections and to ensuring that any breach in agreements are appropriately handled to ensure the Memorial collects all receipts due.

Official's Response: The Memorial understands the importance of relevant internal accounting controls and how they may help alleviate respective control weaknesses. However since the Memorial discontinued the majority of their operations on July 31, 2014, and the building demolition was completed in 2015, and the Memorial will close out operations in the near future, the Memorial is not a going concern requiring future corrective action.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Financial statement adjustments	Not Corrected	Reissued as Finding 2015-001.

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Dave Yost • Auditor of State

FRANKLIN COUNTY VETERANS MEMORIAL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 27, 2018