STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD

FINANCIAL STATEMENTS

For the Year Ended June 30, 2001

With Independent Auditors' Report

And Additional Information

PARMS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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To the Members of
The Capital Square Review and Advisory Board
Columbus, Ohio

We have reviewed the independent auditor's report of the Capital Square Review and Advisory Board, Franklin County, prepared by Parms & Company, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

November 20, 2001

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STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD

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PARMS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

Honorable Jim Petro
Auditor of State of Ohio and
The Capitol Square Review and
Advisory Board
Columbus, Ohio

We have audited the accompanying financial statements of the Capitol Square Review and Advisory Board (the Board), an independently audited organization that is part of the primary government of the State of Ohio, as of June 30, 2001, and for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Board, are intended to present the financial position and results of operations and the cash flows of the fund types of only that portion of the financial reporting entity of the State that is attributable to the transactions of the Board.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Capitol Square Review and Advisory Board of the State of Ohio as of June 30, 2001, and the results of its operations and the cash flows of its enterprise fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 14, 2001, on our consideration of the Capitol Square Review Advisory Board' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Parms & Company, Inc.

September 14, 2001

STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
COMBINED BALANCE SHEETS
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2001

	Government Fund Type		Proprietary Fund Type	Acct. Group General Long-Term Debt	Total (Memorandum (Only)
	General	Special Revenue	Enterprise		
ASSETS					
Cash with treasurer	$ -	940,031	2,072,005	-	$ 3,012,036
State appropriations receivable	213,104	-	-	-	213,104
Collateral on lent securities	-	411,853	907,326	-	1,319,179
Interest receivable	-	2,968	10,279	-	13,247
Due from other fund	6,739	3,130	8,186	-	18,055
Accounts receivable and prepaid expenses	-	26,990	30,145	-	57,135
Inventories	-	86,889	-	-	86,889
Total Current Assets	219,843	1,471,861	3,027,941	-	4,719,645
Property and equipment, net of accumulated depreciation	-	-	7,139,354	-	7,139,354
Amount to be provided for the retirement general long-term obligation	-	-	-	208,485	208,485
Total Non-Current Assets	-	-	7,139,354	208,485	7,347,839
TOTAL ASSETS	$219,843	1,471,861	10,167,295	208,485	$12,067,484
LIABILITIES AND FUND EQUITY					
Accounts payable	$128,500	21,380	145,531	-	$ 295,411
Wages payable	80,966	11,601	39,955	-	132,522
Obligations under securities lending	-	411,853	907,326	-	1,319,179
Advances from other funds	3,638	495	1,318	-	5,451
Other accrued expenses	-	-	113,327	-	113,327
Bond service charge payable	-	-	6,792,889	-	6,792,889
Accrued interest expense	-	-	123,453	-	123,453
Deferred revenues	-	-	4,000	-	4,000
Other long-term obligations	-	-	-	208,485	208,485
Total Liabilities	213,104	445,329	8,127,799	208,485	8,994,717
Retained earnings	-	-	2,039,496	-	2,039,496
Fund balance	6,739	1,026,532	-	-	1,033,271
Total Fund Equities	6,739	1,025,054	2,039,496	-	3,072,767
TOTAL LIABILITIES AND FUND EQUITY	$219,843	1,471,861	10,167,295	208,485	$12,067,484

See accompanying notes to the financial statements.

STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
COMBINED STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2001

	General Fund	Special Revenue Fund	Total (Memorandum) (Only)
REVENUES			
Support from appropriations	$4,994,775	-	$4,994,775
Sales and service charges	-	457,861	457,861
Investment earnings	-	61,303	61,303
Other	1,838	240,135	241,973
Total Revenues	4,996,613	759,299	5,755,912
OPERATING EXPENDITURES			
General government	4,993,285	749,314	5,742,599
Excess revenues over expenditures	3,328	9,985	13,313
Transfer from other funds	-	-	-
Excess revenues over expenditures and transfers	3,328	9,985	13,313
Fund balances, June 30, 2000	3,411	1,016,547	1,019,958
Fund balances, June 30, 2001	$ 6,739	1,026,532	$1,033,271

See accompanying notes to the financial statements.

STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP
BUDGETARY BASIS) - GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED June 30, 2001

	GENERAL FUND			SPECIAL REVENUE FUNDS			TOTAL (MEMORANDUM ONLY)		
	BUDGET	ACTUAL	VARIANCE FAV/(UNFAV)	BUDGET	ACTUAL	VARIANCE FAV/(UNFAV)	BUDGET	ACTUAL	FAV/(UNFAV)
REVENUES:									
Support from appropriations	$5,134,125	5,134,125	-	-	-	-	5,134,125	5,134,125	$ -
Sales, Services and Charges	-	-	-	467,028	467,028	-	467,028	467,028	-
Investment earnings	-	-	-	44,890	44,890	-	44,890	44,890	-
Other	1,838	1,838	-	240,134	240,134	-	241,972	241,972	-
Total Revenues	5,135,963	5,135,963	-	752,052	752,052	-	5,888,015	5,888,015	-
EXPENDITURES:									
Current:									
General Government	4,023,315	4,020,008	3,307	1,943,309	766,360	1,176,949	5,966,624	4,786,368	1,180,256
Total Budgetary Expenditures	4,023,315	4,020,008	3,307	1,943,309	765,360	1,176,949	5,966,624	4,786,368	1,180,256
Excess (Deficiency) revenues over (under) Budgetary expenditures	1,112,648	1,115,955	(3,307)	(1,191,257)	(14,308)	(1,176,949)	(78,602)	1,101,647	(1,180,256)
Other Financing Sources:									
Operating transfers-in	-	-	-	-	-	-	-	-	-
Encumbrance Revisions	-	16,545	(16,545)	1,260,337	1,260,337	-	1,260,337	1,276,882	(16,545)
Total Other Financing Sources	-	16,545	(16,545)	1,260,337	1,260,337	-	1,260,337	1,276,882	(16,545)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Budgetary Expenditures	$1,112,648)	1,132,500	(19,852)	69,080	1,246,029	(1,176,949)	1,181,728	2,378,529	$(1,196,801)
Unreserved, Undesignated Budgetary Fund Balances (Deficits), July 1, 2000		(1,278,439)			1,412,321			133,882	
Unreserved, Undesignated Budgetary Fund Balances, June 30, 2001		$ (145,939)			$2,658,350			$2,512,411	

See accompanying notes to the financial statements.

STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS - ENTERPRISE FUND TYPE
For the Year Ended June 30, 2001

	Garage Fund
OPERATING REVENUES	
Parking revenues	$ 2,632,628
Other	423
Total Operating Revenues	2,633,051
OPERATING EXPENSES	
Administration and operations	1,948,737
Depreciation	423,448
Total Operating Expenses	2,372,185
OPERATING INCOME	260,866
NON OPERATING REVENUES/(EXPENSES)	
Interest income	173,242
Interest expense	(373,632)
Total Non Operating Expenses	(200,390)
NET INCOME	60,476
RETAINED EARNINGS-JULY 1, 2000	1,979,020
RETAINED EARNINGS-June 30, 2001	$2,039,496

See accompanying notes to the financial statements.

STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
STATEMENTS OF CASH FLOWS - ENTERPRISE FUND
For the Year Ended June 30, 2001

	Garage Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$2,049,030
Cash received from intergovernments	586,069
Cash payments to employees	(1,315,237)
Cash payments to suppliers	(467,707)
Cash payment to intergovernments	(8,342)
Cash received from interest earnings	135,056
Cash payments for interest expense	(380,178)
Net cash provided by operating activities	598,691
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of fixed assets	(451,792)
Principal payment on long-term obligations	(392,735)
Net cash used in capital financing activities	(844,527)
NET DECREASE IN CASH	(245,836)
BEGINNING CASH - JULY 1, 1999	2,317,841
ENDING CASH - June 30, 2001	$2,072,005
Reconciliation of net income to cash provided by operating activities:	
Net income	60,476
Adjustments to reconcile net income to net cash provided/(used) by operating activities:	
Depreciation of property and equipment	423,448
Decrease in interest receivable	10,143
Increase in amounts due from other fund	(1,810)
Increase in accounts receivable and prepaid expenses	(3,615)
Increase in accounts payable	128,875
Decrease in accrual wages	(13,828)
Decrease in other accrued expenses	(2,978)
Decrease in accrued interest	(6,546)
Increase in deferred revenues	4,000
Increase in advances from other funds	526
Net adjustments	538,215
Net cash provided by operating activities	$ 598,691

See accompanying notes to the financial statements

STATE OF OHIO
CAPITOL SQUARE REVIEW AND ADVISORY BOARD
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements represent the financial position and results of operations and cash flows of the Capitol Square Review and Advisory Board (the Board) as of and for the fiscal year ended June 30, 2001. The board is part of the State of Ohio's reporting entity. The State of Ohio Comprehensive Annual Financial Report provides more extensive disclosure regarding the significant accounting polices of the State as a whole.

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

B. Basis of Presentation - Fund Accounting

The Board uses funds and account groups to report its financial position and results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is designed to aid management in demonstrating compliance with finance-related legal and contractual requirements. An account group is an accounting device designed to account for certain assets and liabilities for governmental funds not recorded directly in those funds. The following fund types and account groups are used by the Board.

Governmental Fund Types

The Board has the following Governmental Fund Types:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Fund Types

Enterprise - The enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprise. For the Board, the enterprise fund consist of the underground parking garage, formerly know as the State Parking Commission.

Account Group

General Long-Term Obligations - The General Long-Term Obligations Account Group accounts for the Boards other long-term obligations not required to be accounted for in the proprietary fund.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of this fund are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

The modified accrual basis of accounting is followed for Governmental Funds. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

The Proprietary Fund is accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

D. Budgets

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

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

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

In addition, budgetary expenditures include cash disbursements against fiscal year 2001 appropriations and outstanding encumbrances, as of June 30, 2001, that were committed during fiscal year 2001. Encumbrance reversions represent lapses of prior year appropriations.

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

E. Cash with Treasurer

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

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

F. Inventory

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property and Equipment

Property and equipment are recorded at cost in the proprietary fund. Depreciation is computed on the straight-line basis using a 25 year life for the parking facility and a ten year life for equipment. The Board's policy is to capitalize property, plant, and equipment expenditures exceeding a $15,000 threshold. Expenditures out of the General Revenue Fund are capitalized in the State of Ohio’s General Fixed Assets Account Group, which has not been included as part of these financial statements.

Applicable expenditures for property, plant, equipment, additions for the parking facility (proprietary fund) are capitalized in the Enterprise Fund. During fiscal year 2001, assets totaling $451,792 were added to the Enterprise Fund.

H. Specific Purpose Funds

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

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

I. Financial Reporting for Proprietary Fund Type

The Board's financial statements have been prepared in accordance with Governmental Accounting Board (GASB) Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." The Board accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors, unless those pronouncements conflict with or contradict GASB pronouncements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Compensated Absences

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

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, vacation, compensatory time, and personal leaves are accrued as liabilities when an employee's rights to the payment are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

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

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

For governmental funds, the noncurrent portion of the liability for compensated absences is reported in the General Long-Term Obligations Account Group. For the proprietary fund, the liability is reported as a liability.

K. Total Columns on Combined Statements

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. PROPERTY AND EQUIPMENT

A summary of property and equipment by category, as of June 30, 2001 in the Proprietary Fund follows:

Parking facility	$ 7,246,805
Parking facility improvements	7,513,954
Construction in progress	451,792
Equipment	297,385
Total	15,509,936
Less: accumulated depreciation	8,370,582
Net property and equipment	$ 7,139,354

3. SECURITIES LENDING TRANSACTIONS

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

The maturities of the investments purchased with cash collateral generally match the maturities of underlying securities loaned at June 30, 2001. There is no credit risk because the value of the collateral exceeds the value of the securities loaned. Also there were no losses on securities lending transaction during fiscal year 2001 resulting from the default of a borrower or lending agent, nor were there any prior period losses.

4. BUDGETARY BASIS OF ACCOUNTING

Actual revenues, expenditures, encumbrances and transfers-in and transfers-out on the non-GAAP budgetary basis do not equal those reported on the GAAP-basis in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance - General and Special Revenue Funds. This difference results primarily from basic differences in the recognition of accruals, interfund transactions and from timing differences in the budgetary basis of accounting for encumbrances.

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

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

Reconciliation of GAAP-Basis to
Operations to Non-GAAP Budgetary-Basis

	General Fund	Special Revenue Fund
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	$1,132,500	$1,246,029
Net adjustment for revenue accruals	-	(7,880)
Net adjustment for expense accruals	-	(14,549)
Adjustment for health benefit over funding	3,328	-
Unrealized gain on investments	-	15,126
Net adjustment for inventory	-	229
Payment of prior year encumbrances	(1,181,081)	-
Encumbrance revisions	(16,545)	(1,260,337)
Outstanding encumbrances	-	31,367
Adjustment for requisitions and encumbrances	65,126	-
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	$ 3,328	$ 9,985

5. RETIREMENT PLAN

Plan Description

Substantially all employees are covered by the Public Employees Retirement System of Ohio (PERS). This retirement program is statewide cost-sharing multiple-employer defined benefit pension plans. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statue. PERS issues separate, publicly available financial reports that include financial statements and required supplementary information.

PERS financial report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215 or by calling (614) 466-2085 or 1-800-222-7377.

Funding Policy

The Revised Code of Ohio (ORC) provides PERS statutory authority for employee and employer contributions. The PERS Retirement Board instituted a temporary rate rollback for calendar year 2000. The required contribution rates for PERS plan members and employers for calendar year 2000 were 6.00% and 10.65% of covered payroll, respectively.

Year Ended June 30	Percentage Contribution	PERS Annual Required Contributions
1999	100%	$334,734
2001	100%	$360,243
2002	100%	$301,160

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

6. OTHER POST EMPLOYMENT BENEFITS

Public Employees Retirement System of Ohio:
PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefits (OPEB) as described in GASB Statement No. 12.

6. OTHER POST EMPLOYMENT BENEFITS - (Continued)

A portion of each employer's contribution to PERS is set aside for funding of post retirement health care. The ORC provides statutory authority for employer contributions. The 2000 employer contribution rate for state employers was rolled back for year 2000 to10.65% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their

contributions to PERS. In calendar year 2000, the Retirement Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing.

OPEB are advanced-funded on an actuarially determined basis. The portion of the employer contributions that was made to fund postemployment benefits can be determined by multiplying actual employer contributions times .4038.

7. BOND SERVICE CHARGES PAYABLE

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

The agreement provides, in part, that upon invoicing by the Authority, the Board shall pay or cause to be paid to the Authority on or before each March 1 and September 1 an amount equal to the estimated Bond Service Charges as defined in the Trust Agreement. The remaining minimum payments required under the agreement as of June 30, 2001 are as follows:

Year	Amount
2002	773,142
2003	773,450
2004	772,940
2005	773,066
2006	722,881
2006 and after	5,461,128
Total	9,276,607
Less: Interest Payments	2,483,718
Total Principal payments	$ 6,792,889

7. BOND SERVICE CHARGES PAYABLE - Continued

During 2001, the Board paid $772,913 to the Authority under the agreement of which $392,735 represented principal and $380,178 represented interest. At June 30, 2001, there was unpaid accrued interest of $123,453 which is recorded as a liability in the Enterprise Fund.

8. OTHER LONG-TERM OBLIGATIONS

Other general long-term obligations of the Board at June 30, 2001 in the General Long-Term Obligation Account Group consisted of the following:

Compensated Absences	$208,485
Total Other General Long-Term Obligations	$208,485

Compensated Absences

Compensated absences include amounts earned for vacation leave, sick leave, and personal leave that are attributable to services already rendered and will probably be paid through paid time off or some other means. The gross compensated absences liabilities for the Board as of June 30, 2001 was $321,812, of which $113,327 pertains to the proprietary fund and $208,485 pertains to the General Long-term Obligations Account Group until such time that they are paid from the General Fund.

9. RISK MANAGEMENT

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

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

10. DEFERRED COMPENSATION

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

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

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

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CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Jim Petro
Auditor of State of Ohio and
The Capitol Square Review
and Advisory Board
Columbus, Ohio

We have audited the combined financial statements of the State of Ohio, the Capitol Square Review and Advisory Board (the Board), an independently audited organization that is part of the primary government of the State of Ohio, as of and for the year ended June 30, 2001 and have issued our report thereon dated September 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

Parms & Company, Inc.

September 14, 2001

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CAPITAL SQUARE REVIEW AND ADVISORY BOARD

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 27, 2001