



Dave Yost • Auditor of State

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion & Analysis	3
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Net Position.....	6
Statement of Cash Flows	7
Notes to the Financial Statements	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Franklin County Veterans Memorial
Franklin County
300 West 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, 2013, 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, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Memorial will continue as a going concern. As discussed in Note 14, the Memorial has suffered recurring net losses from operations and has a net position deficiency raising substantial doubt about its ability to continue as a going concern. As further discussed in note 14, the Board of Trustees voted on September 18, 2013 that the Memorial will cease operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. 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* 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 May 14, 2014, on our consideration of the Memorial's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Memorial's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 14, 2014

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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, 2013. The intent of this discussion and analysis is to look at the Memorial's financial performance as a whole; readers are encouraged to consider information presented here as well as the financial statements to enhance their understanding of the Memorial's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position increased \$121,099 from 2012.
- Total operating revenues decreased \$231,182 from 2012.
- Total operating expenses increased \$159,077 from 2012.

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 2013 Operation and Current Issues" will also need to be evaluated.

Following is a summary of the Memorial's net position for 2013 compared to 2012:

	2013	2012
Current assets	\$ 311,295	\$ 336,249
Capital assets	185,367	189,288
Total assets	496,662	525,537
Current liabilities	503,109	537,834
Long term liabilities	56,674	171,923
Total liabilities	559,783	709,757
Invested in Capital Assets	185,367	189,288
Unrestricted Net Position	(248,488)	(373,508)
Net Position	\$ (63,121)	\$ (184,220)

In 2013, Net Position increased by \$121,099 primarily due to Franklin County contributions of \$346,950.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

ANALYSIS OF OPERATIONS

The changes in net position for the years ended December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Total Operating Revenues	2,567,844	2,799,026
Total Operating Expenses	2,793,964	2,634,887
Operating loss	<u>(226,120)</u>	<u>164,139</u>
Non Operating Revenues	<u>347,219</u>	<u>570</u>
Change in net assets	121,099	164,709
Net assets - beginning of year	<u>(184,220)</u>	<u>(348,929)</u>
Net assets - end of year	<u><u>(63,121)</u></u>	<u><u>(184,220)</u></u>

Total Operating Revenues in 2013 decreased by 8%. Contributing to the decrease in operating revenue was a decrease in events and charges for reimbursable services.

CAPITAL ASSETS AND CURRENT DEBT

The Memorial has \$185,367 invested in capital assets net of depreciation. There were \$9,472 in additions to equipment, furniture and fixtures, and building improvements for fiscal year 2013. Detailed information regarding capital asset activity is included in the notes to the financial statements (Note 5). The Memorial also incurred \$26,835 in costs related to website development in 2013.

On March 13, 2006, Franklin County, the Primary Government, provided an interest free loan to the Memorial for the purpose of improving the cash balances of the Memorial so that the payroll expenditures could be paid. The loan was paid off during 2013 with payments on the balance of \$16,193.

During 2011, Franklin County, the Primary Government, provided an interest free loan to the Memorial in the total amount of \$250,000, to assist the Memorial with cash flow, and to pay amounts relating to health insurance and retirement contributions. On December 17, 2013, the Franklin County Commissioners forgave the \$250,000 loan provided to the Memorial in 2011, effective immediately. The forgiveness has been recorded as a current contribution from primary, included in non-operating revenues.

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).

VETERANS MEMORIAL CONTACT INFORMATION

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

Assets

Current Assets

Cash and Cash Equivalents	\$ 188,272
Accounts Receivable	88,742
Prepaid items	<u>34,281</u>
Total Current Assets	<u>311,295</u>

Noncurrent Assets:

Depreciable capital assets, net	148,457
Website development costs, net	<u>36,910</u>
Total Noncurrent Assets	<u>185,367</u>

Total Assets	<u>496,662</u>
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Liabilities

Current Liabilities:

Accounts Payable	103,199
Accrued Wages	24,437
Intergovernmental Payable	8,492
Compensated Absences Payable	181,170
Unearned Revenue	<u>185,811</u>
Total Current Liabilities	<u>503,109</u>

Long-Term Liabilities

Compensated Absences Payable	<u>56,674</u>
Total Long-Term Liabilities	<u>56,674</u>

Total Liabilities	<u>559,783</u>
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Net Postion

Invested in Capital Assets	185,367
Unrestricted	<u>(248,488)</u>
Total Net Position	<u><u>\$ (63,121)</u></u>

See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013**

Operating Revenues

Charges for services	\$ 2,567,844
Total Operating Revenues	<u>2,567,844</u>

Operating Expenses

Salaries	1,186,810
Fringe benefits	417,680
Purchased services	714,775
Materials and supplies	144,319
Repairs and maintenance	243,049
Depreciation	40,228
Other	47,103
Total Operating Expenses	<u>2,793,964</u>

Operating Loss	(226,120)
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Non-Operating Revenue

Interest income	269
County Contributions	346,950
Total Non-Operating Revenues	<u>347,219</u>

Change in Net Postion	121,099
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Net Position Beginning of Year	<u>(184,220)</u>
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Net Position End of Year	<u><u>\$ (63,121)</u></u>
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See accompanying notes to the basic financial statements.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 2,598,098
Cash Payments to Employees for Services	(1,147,066)
Cash Payments to Employee Benefits	(417,680)
Cash Payments for Goods and Services	(1,068,038)
Net Cash Used for Operating Activities	<u>(34,686)</u>
 Cash Flows from Non-Capital Financing Activities	
Proceeds on contribution - primary government	96,950
Payment on note payable - primary government	(16,193)
Net Cash Provided by Non-Capital Financing Activities	<u>80,757</u>
 Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(36,307)
Net Cash Used for Capital and Related Financing Activities	<u>(36,307)</u>
 Cash Flows from Investing Activities	
Interest Received from Investments	269
Net Cash Provided by Investing Activities	<u>269</u>
Net Increase in Cash and Cash Equivalents	10,033
Cash and Cash Equivalents Beginning of Year	178,239
Cash and Cash Equivalents End of Year	<u>\$ 188,272</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ (226,120)
Adjustments:	
Depreciation	40,228
(Increase) decrease in assets:	
Accounts receivable	30,254
Prepaid items	4,733
Increase (decrease) in liabilities:	
Accounts payable	1,956
Accrued wages	4,823
Compensated absences payable	34,921
Unearned revenue	74,559
Intergovernmental payable	(40)
Net Cash Used for Operating Activities	<u>\$ (34,686)</u>

Non-cash activity: Loans of \$250,000 were forgiven by Franklin County Commissioners on December 17, 2013, see Note 11.

See accompanying notes to the basic financial statements.

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**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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 2014. Under the agreement, the Memorial pays the County rent equal to the Memorial’s annual net income from operations plus all reserves in excess of \$250,000. In the previous three years (2012, 2011 and 2010), there has been no rent paid to the County whereby imposing a financial burden on the County (see Note 12).

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(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, 2013 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

Capital Assets and Depreciation

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation (Continued)

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

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-term Obligations

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

Net Position

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

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

Operating Revenues and Expenses

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

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

Loans from Primary Government

The Memorial received \$50,000 in loans from Franklin County in 2006. A description of loans payable is in Note 11.

The Memorial received \$250,000 in loans from Franklin County in 2011. A description of loans payable is in Note 11. This note was forgiven in 2013 and reported as a County Contribution.

Other Contributions for the Primary Government

Additional Contributions of \$96,950 were received from the Franklin County in 2013 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 2013.

Estimates

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

3. DEPOSITS AND INVESTMENTS

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

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

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

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

The investment and deposit of the Memorial's monies is governed by the provisions of the ORC. In accordance with these statutes, the Memorial is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; repurchase agreement secured by United States obligations; and STAROhio. At December 31, 2013, the Memorial only had deposits with financial institutions.

Custodial Credit Risk - is the risk that in the event of bank failure, the Memorial's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Memorial's name. The Memorial complied with the provisions of these statutes.

At year-end, the carrying amount of the Memorial's cash was \$188,272, inclusive of \$7,420 in cash on hand. The bank balances were \$214,093 of which all was covered by FDIC.

4. ACCOUNTS RECEIVABLE

Receivables at December 31, 2013 consisted of billings for user charged services and are shown at their net realizable value. Management believes all receivables are fully collectible; however, any uncollectible amounts are charged to operations during the period in which they are determined to be uncollectible. There was no Bad Debt Expense during the year ending December 31, 2013.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

5. CAPITAL ASSETS

Reconciliation of beginning and ending balances for the year ended December 31, 2013:

	Beginning Balance	Additions	Deletions	Ending Balance
Leasehold Improvements				
Buildings	794,536	-	-	794,536
Leasehold Improvements				
North Hall	20,157	-	-	20,157
Equipment	1,628,187	9,472	-	1,637,659
Vehicles	29,619	-	(29,619)	-
Furniture and Fixtures	347,242	-	-	347,242
Cafeteria Equipment	340,497	-	-	340,497
Total depreciable assets	3,160,238	9,472	(29,619)	3,140,091
Less: Accumulated Depreciation				
Building and Improvement	(736,140)	(8,563)	-	(744,703)
Machinery and Equipment	(2,263,002)	(13,548)	29,619	(2,246,931)
Total	(2,999,142)	(22,111)	29,619	(2,991,634)
Depreciable Capital Asset, net	161,096	(12,639)	-	148,457
Website Development	29,850	26,835	-	56,685
Less: Accumulated Depreciation	(1,658)	(18,117)	-	(19,775)
Website Development costs, net	28,192	8,718	-	36,910

6. RISK MANAGEMENT

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

6. RISK MANAGEMENT (Continued)

Coverage	Replacement Value	Deductible
Building and its contents	\$47,201,000 - 52,201,000	\$5,000 – 50,000
Terrorism limit	Included above	Included above
Business income and extra Expense	1,000,000	72 hours*
Automobile	1,000,000 – 1,200,000	Deductible varies
Crime (employee, forgery, money inside and outside, Computer fraud and non- compensated employees)	100,000 – 400,000	1,000
Boiler and machinery	1,000,000	5,000
General liability	1,000,000 – 2,000,000	No deductible
Umbrella	15,000,000	No deductible
Tulip	1,000,000	No deductible

* Policy holder incurs losses for the first 72 hours

The Memorial purchases health, dental and vision coverage for full-time employees through the Franklin County Cooperative Health Benefits Program. Prior year amounts paid for the Memorial by the County are included in the intergovernmental payable at December 31, 2013. 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, 2013.

7. DEFERRED COMPENSATION PLAN

As of December 31, 2013, various employees of the Memorial had elected to participate in the deferred compensation plan offered by the Memorial and administered by the Ohio Public Employees Deferred Compensation Board. This deferred compensation plan is a defined contribution program under Section 457 of the Internal Revenue Code. All assets and income of the plan must be held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, the assets and liabilities of the plan are not reflected in the financial statements of the Memorial.

8. PENSION PLAN

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

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

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

8. PENSION PLAN (Continued)

- B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.
- F. The 2013 member contribution rates were 10.00% of covered payroll for members in state and local classifications.
- G. The 2013 employer contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll.
- H. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records.
- I. In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014. OPERS recommends employers begin a dialog with their external auditors to determine the impact this standard will have on employer financial statements.

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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

A. Plan Description (Continued)

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

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

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

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.00% of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post- employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. 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 2013 by 0.0714 for state and local employers.

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

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

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

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

10. COMPENSATED ABSENCES

The Memorial employees earn vacation leave at various rates ranging from two to five weeks per year based upon years of service. Sick leave is accumulated at the rate of three weeks per year. Vacation pay is vested after one year and sick pay is generally vested after eight years of service. Vested vacation and sick leave are recorded as expense when earned. The liability below represents amounts as of December 31, 2013 that was due to employees upon retirement or termination of their employment. Of this amount, \$181,170 is expected to be paid within one year.

Changes in Long-Term Liabilities for the year ended December 31, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within 1-Year
Compensated Absences	\$ 202,923	\$107,989	\$ (73,068)	\$ 237,844	\$ 181,170

11. LOANS AND NOTES PAYABLE

On March 13, 2006, Franklin County, the Primary Government, provided a loan to the Memorial for the purpose of improving the cash balances of the Memorial so that the payroll expenditures could be paid. The original loan of \$50,000 was interest free and was expected to be repaid by the Memorial in 2010. The County extended the due date in 2010, 2011 and 2012 to accommodate the Memorial. The Memorial made a payment of \$16,193 on the loan in 2013, which paid off the loan.

In February 2011, the County agreed to provide the Memorial with \$80,000 in cash during 2011 to assist in management of the Memorial's cash flow. In addition, the County agreed to pay up to \$170,000 in expenses for the Memorial during 2011 for certain expenditures. The Memorial utilized all \$250,000 of these funds during 2011. The amounts were forgiven by the County commissioners on December 17, 2013.

Loan	Interest	Beginning Balance	Additions	Reductions	Ending Balance
Primary Gov't Loan	0%	\$ 16,193	\$0	(\$16,193)	\$ -
Primary Gov't Loan	0%	250,000	0	(250,000)	-
Total		\$ 266,193	\$ -	\$ (266,193)	\$ -

**FRANKLIN COUNTY VETERANS MEMORIAL
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(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 2013. The computation is as follows:

	<u>2013</u>
Specifically identified assets in excess of liabilities	\$ (248,488)
Reserve amount to be retained	<u>(250,000)</u>
Reserve fund deficit	<u><u>\$ (498,488)</u></u>

13. CONCENTRATIONS

The Memorial receives the majority of its revenues from Booking and Parking Lot revenues from events in the Columbus, Ohio area. In 2013, booking and related items as well as Parking lot revenue constituted all operating revenues.

14. MANAGEMENT PLAN/SUBSEQUENT EVENT

For fiscal year 2013, the Memorial had an operating loss of (\$226,120) and negative ending net position of (\$63,121). Operating income was \$164,139 during 2012. Franklin County provided \$346,950 in additional contributions during 2013.

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. Daily Parking will continue to be provided through fiscal year 2014.

As part of the cessation of operations that will occur with the demolition of the Franklin County Veterans Memorial, the Memorial's employees who retire, leave, or accept positions in other agencies, will be paid their most current balance in their vacation and sick leave accounts at time of departure. The Memorial will continue to operate the parking lot through the demolition of the existing structure until such time as the lot will be needed for the construction of the new Memorial. Due to the demolition of the existing facilities, the Memorial is no longer accepting deposits for future use of the facilities.

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Dave Yost • Auditor of State

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

Franklin County Veterans Memorial
Franklin County
300 West 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, Ohio (the Memorial), a component unit of Franklin County, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Memorial's basic financial statements and have issued our report thereon dated May 14, 2014, wherein we noted that the Memorial has suffered recurring net losses from operations and has a net position deficiency. We also noted the Board of Trustees has voted to cease operations on July 31, 2014.

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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Memorial's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

May 14, 2014



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
JUNE 10, 2014