



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  
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 the Franklin County Veterans Memorial, Franklin County, Ohio (the Memorial), a component unit of Franklin County, as of and for the year ended December 31, 2012, 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 the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit 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, Ohio, as of December 31, 2012, and the change 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-Matter**

As discussed in Note 15 to the financial statements, the Memorial has suffered recurring losses from operations and has a net asset deficiency. Note 15 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

**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* as 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 24, 2013, 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 24, 2013

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(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, 2012. 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 \$164,709 from 2011.
- Total operating revenues increased \$92,964 from 2011.
- Total operating expenses increased \$65,965 from 2011.

**USING THIS FINANCIAL REPORT**

This annual report consists of three parts, the MD&A, 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 2012 Operation and Current Issues" will also need to be evaluated.

Following is a summary of the Memorial's net position for 2012 compared to 2011:

	<b>2012</b>	<b>2011</b>
Current assets	\$ 336,249	\$ 242,381
Capital assets	189,288	166,555
Total assets	525,537	408,936
Current liabilities	537,834	588,926
Long term liabilities	171,923	168,939
Total liabilities	709,757	757,865
Net Investment in Capital Assets	189,288	166,555
Unrestricted Net Position	(373,508)	(515,484)
Net position	\$ (184,220)	\$ (348,929)

In 2012, Net Position increased by \$164,709.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)**

**ANALYSIS OF OPERATIONS**

The changes in net position for the year ended December 31, 2012 and December 31, 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Total Operating Revenues	2,799,026	2,706,062
Total Operating Expenses	<u>2,634,887</u>	<u>2,568,922</u>
Operating Income	164,139	137,140
Non Operating Revenues	570	17,607
Non Operating Expenses	<u>-</u>	<u>1,207</u>
Change in net position	164,709	153,540
Net position - beginning of year	<u>(348,929)</u>	<u>(502,469)</u>
Net position - end of year	<u><u>(184,220)</u></u>	<u><u>(348,929)</u></u>

Total Operating Revenues in 2012 increased by 3.44%. Contributing to the increase in operating revenue was an increase in events, leasing, price changes, and charges for reimbursable services.

**CAPITAL ASSETS AND CURRENT DEBT**

The Memorial has \$189,288 invested in capital assets net of depreciation. There was \$19,700 in additions to equipment, furniture and fixtures, and building improvements for fiscal year 2012. Detailed information regarding capital asset activity is included in the notes to the financial statements (Note 6). The Memorial also incurred \$29,850 in costs related to website development in 2012.

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 balance at December 31, 2012 and the amount of the loan due in 2013 is \$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.

**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 13).

**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, 2012**

	<b>2012</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 178,239
Accounts Receivable	118,996
Prepaid items	39,014
Total Current Assets	336,249
<b>Noncurrent Assets:</b>	
Depreciable capital assets, net	161,096
Website development costs, net	28,192
Total Noncurrent Assets	189,288
 Total Assets	 525,537
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts Payable	101,243
Accrued Wages	19,614
Intergovernmental Payable	8,532
Compensated Absences Payable	31,000
Unearned Revenue	111,252
Due to Primary Government	266,193
Total Current Liabilities	537,834
<b>Long-Term Liabilities</b>	
Compensated Absences Payable	171,923
Total Long-Term Liabilities	171,923
 Total Liabilities	 709,757
<b>Net Position</b>	
Net Investment in Capital Assets	189,288
Unrestricted	(373,508)
Total Net Position	\$ (184,220)

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, 2012**

	<u>2012</u>
<b>Operating Revenues</b>	
Charges for services	\$ 2,799,026
Total Operating Revenues	<u>2,799,026</u>
<b>Operating Expenses</b>	
Salaries	1,169,056
Fringe benefits	386,052
Purchased services	680,739
Materials and supplies	125,830
Repairs and maintenance	184,211
Depreciation	26,817
Other	62,182
Total Operating Expenses	<u>2,634,887</u>
Operating Income	164,139
<b>Non-Operating Revenue and (Expense)</b>	
Interest income	570
Interest expense	-
Total Non-Operating Revenue	<u>570</u>
Change in Net Position	164,709
Net Position Beginning of Year	<u>(348,929)</u>
Net Position End of Year	<u>\$ (184,220)</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, 2012**

<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u><b>2012</b></u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 2,762,127
Cash Payments to Employees for Services	(1,166,785)
Cash Payments to Employee Benefits	(386,052)
Cash Payments for Goods and Services	(1,101,980)
Net Cash Provided by Operating Activities	<u>107,310</u>
 <b>Cash Flows from Non-Capital Financing Activities</b>	
Payment on note payable - primary government	<u>(16,200)</u>
Net Cash Used for Non-Capital Financing Activities	<u>(16,200)</u>
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Payments for Capital Acquisitions	<u>(49,550)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(49,550)</u>
 <b>Cash Flows from Investing Activities</b>	
Interest Received from Investments	<u>570</u>
Net Cash Provided by Investing Activities	<u>570</u>
Net Increase in Cash and Cash Equivalents	42,130
Cash and Cash Equivalents Beginning of Year	<u>136,109</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 178,239</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 164,139
Adjustments:	
Depreciation	26,817
(Increase) decrease in assets:	
Accounts receivable	(36,899)
Prepaid items	(14,839)
Increase (decrease) in liabilities:	
Accounts payable	50,562
Accrued wages	(713)
Compensated absences payable	2,984
Deferred revenue	(74,057)
Intergovernmental payable	(10,684)
Due to primary government	-
Net Cash Provided by Operating Activities	<u><u>\$ 107,310</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, 2012**

**1. DESCRIPTION OF VETERANS MEMORIAL AND REPORTING ENTITY**

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

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

The Memorial is a discretely presented component unit of Franklin County ("the County"), the primary government, in which they are fiscally dependent; however, the County does not control the day to day operations of the Memorial. The Memorial is owned by the County whereby the Board of Trustees leases it under an agreement that extends until 2013. Under the agreement, the Memorial pays the County rent equal to the Memorial's annual net income from operations plus all reserves in excess of \$250,000. In the previous three years (2011, 2010 and 2009), there has been no rent paid to the County whereby imposing a financial burden on the County (see Note 13).

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 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.

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.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 assets. The statement of cash flows provides information about how the Memorial finances and meets the cash flow needs of its proprietary activity.

Basis of Accounting

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

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

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

Cash and Cash Equivalents

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, 2012 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, equipment, and website development) 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.

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 6.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

No portion of the Memorial's net position is 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.

Contributions

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

The Memorial received contributions of \$17,607 from Franklin County in 2011, which were applied to the outstanding loans due to Franklin County.

Loan from Primary Government

Franklin County, the Primary Government loaned money to The Memorial to help their cash balance when needed. This loan was authorized by the County Commissioners and is expected to be repaid in 2012.

The Memorial received \$50,000 in loans from Franklin County in 2006. A description of loans payable is in Note 12.

The Memorial received \$250,000 in loans from Franklin County in 2011. A description of loans payable is in Note 12.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 2012.

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 PRINCIPLES**

For fiscal year 2012, the Memorial has implemented Governmental Accounting Standard Board (GASB) Statement No. 62 "Codification and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53" Fund Balance Reporting and Governmental Fund Type Definitions" and Statement No. 65, "Items Previously Reported as Assets and Liabilities."

GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements from the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. These changes were incorporated in the Memorial's fiscal year 2012 financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Memorial's fiscal year 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the Memorial's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this statement did not result in any change in the Memorial's financial statements.



**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**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, 2012, 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 \$178,239, inclusive of \$6,420 in cash on hand. The bank balances were \$278,347 of which all was covered by FDIC.

**5. ACCOUNTS RECEIVABLE**

Receivables at December 31, 2012 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, 2012.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**6. CAPITAL ASSETS**

Reconciliation of beginning and ending balances for the year ended December 31, 2012:

	Beginning Balance	Additions	Ending Balance
Leasehold Improvements			
Buildings	\$ 794,536	\$ -	\$ 794,536
Leasehold Improvements			
North Hall	20,157	0	20,157
Equipment	1,608,487	19,700	1,628,187
Vehicles	29,619	0	29,619
Furniture and Fixtures	347,242	0	347,242
Cafeteria Equipment	340,497	0	340,497
Subtotal	<u>3,140,538</u>	<u>19,700</u>	<u>3,160,238</u>
Less: Accumulated Depreciation	(2,973,983)	(25,159)	(2,999,142)
Net Capital Assets	<u>\$ 166,555</u>	<u>\$ (5,459)</u>	<u>\$ 161,096</u>

The Memorial incurred costs of \$29,850 for the development of its new website and marketing campaign during 2012. The net amortized balance was \$28,192 at December 31, 2012.

**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:

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**7. RISK MANAGEMENT (Continued)**

<u>Coverage</u>	<u>Replacement Value</u>	<u>Deductible</u>
Building and its contents	\$45,385,000 - 53,885,000	\$5,000 – 50,000
Terrorism limit	Included above	Included above
Business income and extra Expense	1,000,000	24 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	500
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 24 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, 2012. 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, 2012.

**8. DEFERRED COMPENSATION PLAN**

As of December 31, 2012, 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.

**9. PENSION PLAN**

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

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**9. PENSION PLAN (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2012, member and employer contribution rates were consistent across all three plans. The members of all three plans were required to contribute 10 percent of their annual covered salaries. The Memorial's required contribution rate for pension benefits was 14% for 2012.

The Memorial's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$278,068, \$288,631 and \$281,928, respectively. There were no amounts owed to the plan at December 31, 2012.

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

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursements, 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-retirement 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 ten 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 OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**10. OTHER POST-EMPLOYMENT BENEFITS (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 Retirement Board 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 was 4.0% for the calendar year 2012 for all employees.

The rates stated above are contractually required contribution rates for OPERS. Actual employer contributions for 2012, 2011, and 2010, which were used to fund post-employment benefits, were \$46,760, \$48,621 and \$59,663. The actual contribution and the actuarially required contribution amounts are the same.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**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, 2012 that was due to employees upon retirement or termination of their employment. Of this amount, \$31,000 is expected to be paid within one year.

Changes in Long-Term Liabilities for the year ended December 31, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within 1-Year
Compensated Absences	\$ 199,939	\$ 46,469	\$ (43,485)	\$ 202,923	\$ 31,000

**12. 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 \$16,200 on the loan in 2012, and expects to repay the remaining balance in 2013.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**12. LOANS AND NOTES PAYABLE (Continued)**

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 are not expected to be repaid during 2013.

Loan	Interest	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within 1-Year
Primary Govt Loan	0%	\$ 32,393	\$0	(\$16,200)	\$ 16,193	\$ 16,193
Primary Govt Loan	0%	250,000	0	0	250,000	250,000
<b>Total</b>		<b>\$ 282,393</b>	<b>\$ -</b>	<b>\$ (16,200)</b>	<b>\$ 266,193</b>	<b>\$ 266,193</b>

**13. 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 2012. The computation is as follows:

	<u>2012</u>
Specifically identified assets in excess of liabilities	\$ (366,951)
Reserve amount to be retained	(250,000)
Reserve fund deficit	<u>\$ (616,951)</u>

**14. CONCENTRATIONS**

The Memorial receives the majority of its revenues from Booking and Parking Lot revenues from events in the Columbus, Ohio area. Although not anticipated, a significant decrease in either of these revenue types could adversely affect the financial position and operations of the facility. In 2012, these two items constituted 57% of operating revenues.

**15. MANAGEMENT PLAN/SUBSEQUENT EVENT**

For fiscal year 2012, the Memorial had operating income of \$164,139 and negative ending net position of (\$184,220). Operating income was \$137,140 during 2011. Franklin County provided no contributions during 2012.

In order to reduce contributions required of the County to support the Veterans community and strive to operate without a deficit, management has adopted an aggressive business plan that includes a component designed to address what was a previously understated marketing effort.

**FRANKLIN COUNTY VETERANS MEMORIAL  
FRANKLIN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**15. MANAGEMENT PLAN/SUBSEQUENT EVENT (Continued)**

Other elements of the plan include the incorporation of accepted, professional practices and attempts to maximize existing revenue streams (parking, reimbursable charge backs, upscale of catering services, etc.) and identifying new income opportunities (equipment rental charges, advertising/sponsorship possibilities, lease of space opportunities, ticket box office, etc.).

In March 2013, the Memorial received \$260,000 from The Franklin County Veterans Service Commission for 2013 rental service. At April 30, 2013, the Memorial's cash balance was \$467,504.

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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 the Franklin County Veterans Memorial, Franklin County, Ohio (the Memorial), a component unit of Franklin County, as of and for the year ended December 31, 2012, 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 24, 2013, wherein we noted the Memorial was experiencing certain financial difficulties.

### ***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 24, 2013



# 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 27, 2013