

**CLEVELAND-CUYAHOGA COUNTY CONVENTION
CENTER FACILITIES AUTHORITY**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

Board of Directors
Cleveland-Cuyahoga County Convention Facilities Authority
1350 Euclid Avenue, 8th floor
Cleveland, Ohio 44115

We have reviewed the *Independent Auditors' Report* of the Cleveland-Cuyahoga County Convention Facilities Authority, Cuyahoga County, prepared by Barnes Wendling CPAs, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cleveland-Cuyahoga County Convention Facilities Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 24, 2007

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CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY

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INDEPENDENT AUDITORS' REPORT

July 27, 2007

To the Appointed Members
Cleveland-Cuyahoga County Convention Facilities Authority
Cleveland, Ohio

We have audited the accompanying statements of net assets of the Cleveland-Cuyahoga County Convention Facilities Authority as of December 31, 2006 and 2005 and the related statements of activities and statements of cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Cleveland-Cuyahoga County Convention Facilities Authority as of December 31, 2006 and 2005, and the changes in net assets and cash flows for the years then ending in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 27, 2007, on our consideration of the Cleveland-Cuyahoga County Convention Facilities Authority'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis information on Pages 2 through 5 is not a required part of the financial statements but is supplemental information required by Government Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Barnes Wendling CPAs, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Cleveland-Cuyahoga County Convention Center Facilities Authority ("Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2006 and 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- At December 31, 2006, the Authority has net assets of \$119,676. These net assets result from the difference between total assets of \$158,676 and total liabilities of \$39,000.
- Assets, which are all current, consist of cash of \$158,396 and prepaid expenses of \$280.
- Liabilities, all current, consist of accounts payable of \$39,000.

Basic Financial Statements and Presentation

New Accounting Pronouncements

The Authority complies with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Disclosures." These statements change the Authority's presentation of net assets and change the note disclosure and require the inclusion of management's discussion and analysis.

The financial statements presented by the Authority are the Statements of Net Assets, the Statements of Activities, and the Statements of Cash Flows. These statements are presented using the accrual basis of accounting. As such, revenues are recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid.

The Statements of Net Assets present information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net assets, which indicate improved financial position.

The Statements of Activities present information showing how the Authority's net assets changed during the year. This statement summarizes operating revenues and expenses.

The Statements of Cash Flows allows financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities. During the reporting period, the Authority had no cash flows from non-capital financing activities, capital and related financing activities or investing activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Condensed Summary of Net Assets

	<u>2006</u>	<u>2005</u>
Current assets	\$ 158,676	\$ 82,409
Total assets	<u>\$ 158,676</u>	<u>\$ 82,409</u>
Current liabilities	\$ 39,000	\$ 20,940
Total liabilities	<u>\$ 39,000</u>	<u>\$ 20,940</u>
Net assets		
Unrestricted	\$ 119,676	\$ 61,469
Total net assets	<u>\$ 119,676</u>	<u>\$ 61,469</u>

The largest portion of the Authority's net assets is held in cash.

Condensed Summary of Statements of Activities

<u>Description</u>	<u>2005</u>	<u>2004</u>
Operating Revenues (Expenses)		
Operating revenues	\$ 171,000	\$ 396,000
Operating expenses	<u>(112,793)</u>	<u>(434,693)</u>
Operating income (loss)	<u>58,207</u>	<u>(38,693)</u>
Net assets, beginning of period	<u>61,469</u>	<u>100,162</u>
Net assets, end of period	<u>\$ 119,676</u>	<u>\$ 61,469</u>

FINANCIAL OPERATING RESULTS

For purposes of this presentation, the Authority groups its operating revenues and expenses into the following categories:

Revenues

Bed taxes – The Board of Cuyahoga Commissioners passed a resolution that provided that a portion of the tax levied under section 5739.09(A)(1) of the Ohio Revised Code be contributed to a convention facilities authority. The resolution authorized contributions to the Authority of \$33,000 per month for thirty-six months, commencing October 2004. Effective in April 2006, the monthly bed tax remittance to the Authority was reduced to \$8,000 per month. The Authority reflects such revenues monthly as Bed taxes.

Expenses

Feasibility fees/Site study/Consulting Throughout 2005 and in early 2006, the Authority conducted a feasibility study and site study relative to the operation of a convention center facility in the City of Cleveland. The costs consisted primarily of professional fees incurred to conduct such studies. In January 2006, the Authority was requested by the appointing authorities to temporarily suspend all but the public information and outreach components of its activities. As such expenses in 2006 were less than 2005.

Professional fees Professional fees consist of legal fees of approximately \$5,298 in 2006 and \$35,995 in 2005, accounting fees of \$7,745 in 2006 and \$9,725 in 2005 and audit fee of \$7,985 in 2006.

Insurance This cost relates primarily to insurance coverage for Directors and Officers of the Authority.

Promotion Beginning in 2005, the Authority conducted a variety of promotional activities relative to the development of a convention facility. Such costs consist primarily of fees and expense reimbursements paid to a professional communications firm.

Telephone/Meetings/Miscellaneous These categories summarize various expenses not included in other expense categories.

Condensed Summary of Cash Flows

For the year ended December 31, 2005, net cash used in operating activities was \$60,173 due to expenses related to feasibility studies, professional fees and promotional activities. In 2006, many of the Authority's operating activities were temporarily suspended. As such, the cash flow from operations was \$94,921. The Authority had no financing or investing activities.

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Cash received from government entities	\$ 171,000	\$ 363,000
Cash payments to suppliers for goods services	<u>(76,079)</u>	<u>(423,173)</u>
Net cash from (used in) operating activities	94,921	(60,173)
Net increase (decrease) in cash	94,921	(60,173)
Cash, beginning of period	<u>63,475</u>	<u>123,648</u>
Cash, end of period	<u>\$ 158,396</u>	<u>\$ 63,475</u>

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or request for additional financial information should be addressed to Mr. Peter Bastulli, Secretary/Treasurer, Cohen & Company, 1350 Euclid Avenue, 8th Floor, Cleveland, Ohio 44115.

CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY

Statements of Net Assets

	December 31,	
	2006	2005
ASSETS		
Current Assets		
Cash	\$ 158,396	\$ 63,475
Prepaid expenses	280	18,934
	\$ 158,676	\$ 82,409
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 39,000	\$ 20,940
	39,000	20,940
Unrestricted Net Assets	119,676	61,469
	\$ 158,676	\$ 82,409

See Notes to Financial Statements

CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY

Statements of Revenue, Expenses and Changes in Net Assets

	Years Ended December 31,			
	2006		2005	
	Amount	Percent	Amount	Percent
Revenue				
Bed taxes	\$ 171,000	100.0 %	\$ 396,000	100.0 %
Total revenue	171,000	100.0	396,000	100.0
Expenses				
Feasibility fees	-0-	.0	140,318	35.4
Site study	-0-	.0	84,125	21.2
Consulting	35,000	20.5	19,750	5.0
Professional fees	20,998	12.3	45,720	11.5
Insurance	20,210	11.8	21,792	5.5
Promotion	35,963	21.0	121,783	30.8
Telephone	192	0.1	799	0.2
Meetings	-0-	.0	75	.0
Miscellaneous	430	0.3	331	0.1
Total expenses	112,793	66.0	434,693	109.7
Changes in net assets	58,207	34.0 %	(38,693)	(9.7) %
Net assets, beginning	61,469		100,162	
NET ASSETS, ending	\$ 119,676		\$ 61,469	

See Notes to Financial Statements

CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY

Statements of Cash Flows

	Years Ended December 31,	
	2006	2005
Cash Flows From Operating Activities		
Receipts:		
Collections from bed taxes	\$ 171,000	\$ 363,000
Payments:		
Project related consultants	(52,903)	(354,456)
Miscellaneous expenses	(23,176)	(68,717)
Total cash payments	<u>(76,079)</u>	<u>(423,173)</u>
Net increase (decrease) in cash	94,921	(60,173)
Cash, beginning	<u>63,475</u>	<u>123,648</u>
Cash, ending	<u>\$ 158,396</u>	<u>\$ 63,475</u>

See Notes to Financial Statements

CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY

Notes to Financial Statements Years Ended December 31, 2006 and 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Cleveland-Cuyahoga County Convention Facilities Authority (the Authority) was organized under laws of the State of Ohio to pay the direct and indirect costs of constructing, improving, expanding, equipping, financing, and operating a convention facility in the City of Cleveland and for such other purposes as may be permitted by law which are consistent with the purpose of the Authority.

Basis of Accounting & Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Unrestricted Net Assets

Net assets not subject to donor imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met by actions of the Authority and/or the passage of time. The Authority had no temporarily restricted net assets at December 31, 2006 and 2005.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Authority recognized no donated services during the years ended December 31, 2006 and 2005.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Authority is a governmental entity created by the Board of County Commissioners of Cuyahoga County under Resolution #041704. As a governmental entity, the Organization does not file or pay income taxes.

Advertising Costs

The Authority expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2006 and 2005 was \$35,963 and \$121,783, respectively.

CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY

Notes to Financial Statements Years Ended December 31, 2006 and 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization of Costs

The Authority expenses all costs associated placing a convention center within Cuyahoga County because the project is still in the exploratory phase. Once a construction site is determined, the Authority will re-assess the accounting treatment of costs associated with the project regarding expensing versus capitalizing.

NOTE B - CONCENTRATIONS

Credit Risk From Cash Held in Bank

From time to time the Organization maintains cash balances in excess of FDIC insured limits.

Revenue

The Authority receives 100% of its bed tax revenue from Cuyahoga County. In the event the project does not continue, net assets may revert back to the Organization's funding source.

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

July 27, 2007

The Board of Directors
Cleveland-Cuyahoga County Convention Facilities Authority
Cleveland, Ohio

We have audited the financial statements of Cleveland-Cuyahoga County Convention Facilities Authority as of and for the year ended December 31, 2006, and have issued our report thereon dated July 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cleveland-Cuyahoga County Convention Facilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Cleveland-Cuyahoga County Convention Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cleveland-Cuyahoga County Convention Facilities Authority.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

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

This report is intended solely for the information and use of management of Cleveland-Cuyahoga County Convention Facilities Authority, others within the entity and the State of Ohio and is not intended to be and should not be used by anyone other than those specified parties.

Barnes Wendling CPAs, Inc.



Mary Taylor, CPA
Auditor of State

CLEVELAND-CUYAHOGA CONVENTION FACILITIES AUTHORITY

CUYAHOGA 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
OCTOBER 4, 2007**