Franklin Park Conservatory Joint Recreation District

Financial Statements as of and for the Year Ended December 31, 2006, and Independent Auditors' Reports

Mary Taylor, CPA
Auditor of State

Board of Trustees
Franklin Park Conservatory Joint Recreation District
1777 East Broad Street
Columbus, Ohio 43203-2040

We have reviewed the *Independent Auditors' Report* of the Franklin Park Conservatory Joint Recreation District, Franklin County, prepared by Clark, Schaefer, Hackett & Co., 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 Franklin Park Conservatory Joint Recreation District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 25, 2007

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FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Franklin Park Conservatory Joint Recreation District:

We have audited the accompanying statement of net assets of the Franklin Park Conservatory Joint Recreation District (the "Conservatory") as of December 31, 2006 and the related statements of revenues, expenses, and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Conservatory's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the statements of financial positions of the Franklin Park Conservatory Women's Sustaining Board, a discretely presented component unit, as of December 31, 2006, and the related statement of revenues, expenses, and changes in net assets for the year then ended. Those financials were audited by others whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Franklin Park Conservatory Women's Sustaining Board, is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Franklin Park Conservatory Women's Sustaining Board were not audited in accordance with *Government Auditing Standards,* but were audited in accordance with auditing standards generally accepted in the United States of America. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, such financial statements referred to above present fairly, in all material respects, the financial position of the Franklin Park Conservatory Joint Recreation District and its discretely presented component unit as of December 31, 2006, and their changes in financial position and their cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 8 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2007, on our consideration of the Conservatory'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 effectiveness of 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 considered in assessing the results of our audit.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 20, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") section of the Franklin Park Conservatory Joint Recreation District's (the "Conservatory") financial report represents a discussion and analysis of the Conservatory's financial performance during the fiscal year ended December 31, 2006. Please read it in conjunction with the Conservatory's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Conservatory accounts for all transactions under a single enterprise fund and the financial statements are prepared using proprietary fund (enterprise fund) accounting. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used. Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. These are followed by notes to the financial statements.

The Statement of Net Assets presents information on the assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Conservatory is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets reports the operating revenues and expenses and non-operating revenue and expenses of the Conservatory for the fiscal year with the difference being combined with any capital contributions to determine the change in net assets for the fiscal year.

The Statement of Cash Flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year's cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

FINANCIAL HIGHLIGHTS

- Combined operating and nonoperating revenues, and capital contributions were $7.7 million.
- The Master Plan, a strategic initiative for improving the vitality and grandeur of Franklin Park, progressed to the construction documentation stage.
- The Capital Campaign for the Master Plan, which began in 2005, has approximately $7.4 million in donations pledged/received.
- Donation and grant income was just over $2 million.
- The first exhibition developed by WOW!, a collaborative of six North American botanical gardens, completed its successful initial run at Franklin Park, and is scheduled for its second installation in 2007.
- Facility rental revenues topped $1 million for the first time. Liquor sales alone were nearly $400,000.
- Another unique educational resource at the Conservatory, The John F. Wolfe Chihuly Resource Center, opened in 2006 as comprehensive collection of information on Dale Chihuly and the art of glassblowing.
- The American Community Gardening Association (ACGA) began the relocation of their administrative headquarters to Franklin Park. The ACGA is an organization to support community greening across the United States and Canada.
- Growing to Green, the Conservatory's community gardening program, rejuvenated nine community and beautification gardens, plus started nine new gardens. Through its grant program, the Neighborhood Partnership Program, Growing to Green distributed nine grants, totaling $25,000, to community groups.
- Over 22,000 hours were donated in 2006 by volunteers, at savings of approximately $385,000 in labor costs.

Financial Position

The following summarizes the Conservatory's financial position as of December 31, 2006 and 2005:

	2006	2005 Restated
ASSETS:		
Current assets	$ 2,207,571	$ 2,108,556
Capital assets	9,000,908	8,534,126
Other noncurrent assets	3,401,989	2,827,297
Total assets	$ 14,610,468	$ 13,469,979
LIABILITIES:		
Current liabilities	$ 2,058,491	$ 4,009,257
Noncurrent liabilities	1,428,198	67,665
Total liabilities	3,486,689	4,076,922
NET ASSETS:		
Investment in capital assets, net of related debt	7,621,908	6,699,126
Restricted assets	4,537,876	4,290,088
Unrestricted net assets	(1,036,005)	(1,596,157)
Total net assets	11,123,779	9,393,057
Total liabilities and net assets	$ 14,610,468	$ 13,469,979

Current Assets—The increase in current assets resulted from more pledges for the Master Plan receivable within the next year.

Capital Assets—Additions to capital assets included $741,000 in capitalized construction costs for the Master Plan, which included construction documents for all of Phase I. Improvements were made for the grand opening of The John F. Wolfe Chihuly Resource Center. To take advantage of the Conservatory's location for marketing purposes, new signage costing $7,000 was installed on Broad Street. Also, a new internet-based timekeeping system for $3,000 was installed to improve efficiency and give managers better, and timelier information. Event equipment for $16,000 was purchased to reduce future equipment rental costs.

Noncurrent Assets—Pledges for the Master Plan expected to be paid later than one year from the balance sheet date were $738,000 more for 2006 than for 2005.

Current Liabilities—Current liabilities in 2005 included a promissory note to a donor for $1,835,000.

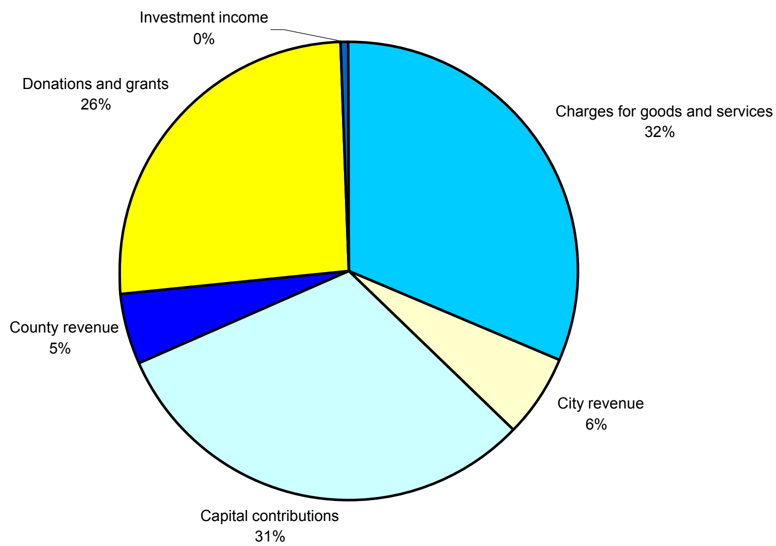
Long-Term Liabilities—In 2006, long-term liabilities include the promissory note to a donor for $1,360,000, that is payable in 2009.

Net Assets—The largest portion of the Conservatory's net assets each year represents its investment in capital assets, less related debt outstanding of $1,379,000 used to acquire those capital assets. The Conservatory uses these assets to provide services to its visitors; consequently, these assets are not available for future spending. Restricted net assets include $4,271,000 of cash and receivables pledged for the Master Plan, less assets expended. Restricted assets also include $174,000 of the endowment fund at the Columbus Foundation. $93,000 of the Conservatory's restricted net assets represents endowments that are subject to donor restrictions.

Financial Results

Revenue

The following chart shows the major sources of revenue for the year ended December 31, 2006.



The following schedule presents a summary of revenues and capital contributions for the fiscal years ended December 31, 2006 and 2005 (restated).

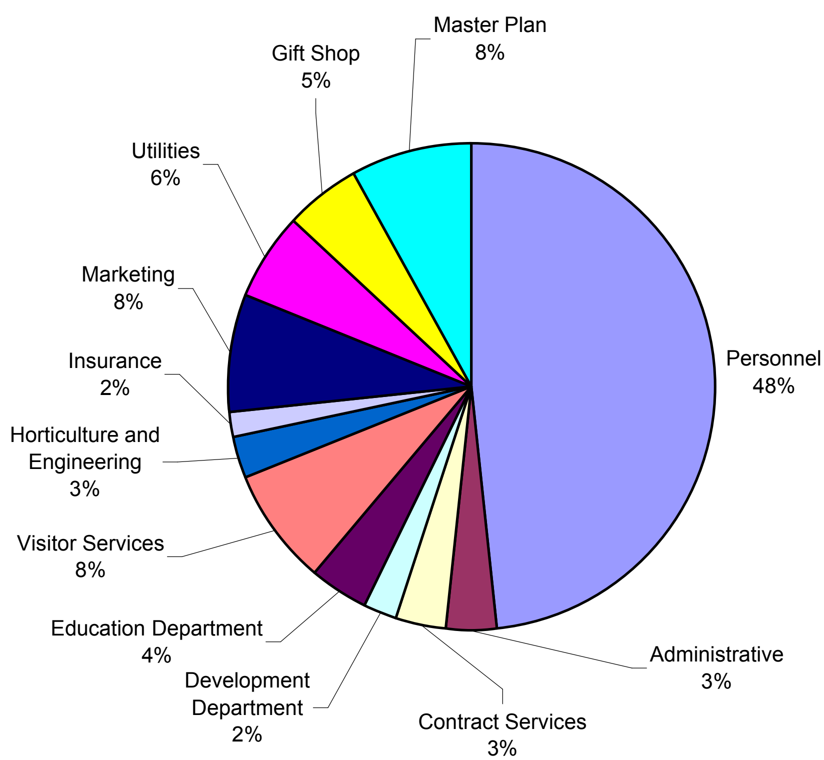
	2006	2005
Operating Revenues:		
Charges for goods and services	$ 2,411,335	$ 2,179,858
Non-operating Revenues:		
City revenue	452,693	452,693
County revenue	400,000	415,000
Donations and grants	2,014,739	2,530,203
Investment income	35,395	14,208
Capital contributions	2,397,199	3,796,223
	$ 7,711,361	$ 9,388,185

Operating revenues increased in 2006 due to $123,000 more in facility rentals for events at the Conservatory, while an increase in visitation attendance of 11% during 2006 resulted in higher admission revenue by $86,000. Higher attendance, as well as sales of Chihuly artwork, led to increased gift shop sales by $36,000. Donations and grants reflect $250,000 received in 2006 for acquisition of the Chihuly Art Collection versus $1,245,000 received in 2005. A special gift of $400,000 was donated in 2006 to help offset the negative impact of the Master Plan Capital Campaign on operating donations. Substantially all of the capital contributions represent Capital Campaign gifts for the Master Plan.

The Conservatory has a comprehensive strategic plan and mission that serves as a business plan to ensure programmatic and financial success. As a result of this strategic plan, the Conservatory has decreased its dependence on government subsidies to just 14% of its revenue in 2006 compared to 100% in 1993.

Expenses

The following chart shows the major categories of operating expenses for the year ended December 31, 2006.



The following schedule presents a summary of expenses for the fiscal years ended December 31, 2006 and 2005:

	2006	2005
Personnel	$ 2,705,077	$ 2,573,105
Administrative	185,944	175,656
Contract services	189,061	260,960
Development	118,215	119,633
Education/Interpretive	222,566	173,109
Visitor Services	431,023	446,605
Horticulture and engineering	157,081	154,185
Insurance	98,885	108,265
Marketing	428,002	372,619
Utilities	328,466	299,658
Gift shop	285,216	278,864
Master plan	448,424	236,618
Total operating expenses	$ 5,597,960	$ 5,199,277

Personnel expenses increased as personnel savings from outsourcing most of the marketing functions which began in late 2005, were offset by merit increases, and a higher Conservatory contribution toward employee health benefits due to higher insurance rates.

Administrative costs included outside consultant fees in connection with developing the Conservatory's comprehensive strategic plan in 2006.

Contract services in 2006 included executive search fees to hire a new executive director, a human resource consultant, as well as additional off-site storage rent.

Education/interpretive expenses were for *Fiori: A Chihuly Garden of Glass* the Conservatory's fall exhibition and *Branching Out: Sculpture Installations by Patrick Dougherty* in the spring and summer of 2006. In 2005, the Conservatory's fall exhibit was The Amazing Chocolate Tree developed WOW!, a collaborative of six North American botanical gardens, including Franklin Park Conservatory.

Visitor services expenses in 2005 included additional costs for fund raising events at the Conservatory that were not incurred during 2006.

In late 2005, the Conservatory began utilizing an outside advertising agency to replace its in-house marketing staff.

Insurance expense was reduced in 2006 as a result of competitive pricing quotes received from multiple carriers.

Utility costs increased as price increases in natural gas during winter months of 2006 more than offset lower volumes used in both winter and fall months of 2005.

Gift shop expenses include cost of goods sold which increased along with sales in 2006.

Master plan expenses were for outside consultants for design, legal and fund raising.

FRANKLIN PARK CONSERVATORY
JOINT RECREATION DISTRICT

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2006

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 180,689
Restricted cash and cash equivalents	317,961
Investments	4,511
Receivables	1,367,397
Prepaids	52,974
Inventory	110,171
Total current assets	2,033,703
NONCURRENT ASSETS:	
Non-depreciable capital assets	4,725,525
Depreciable capital assets	8,389,252
Accumulated depreciation	(4,113,869)
Total capital assets—net of accumulated depreciation	9,000,908
Non-current receivables	3,276,846
Other noncurrent assets	299,011
Total noncurrent assets	12,576,765
TOTAL	14,610,468
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	762,381
Deferred revenue	174,951
Customer deposits	196,997
Accrued expenses	155,162
Note payable	769,000
Total current liabilities	2,058,491
NONCURRENT LIABILITIES	
Note payable	1,360,000
Accrued vacation and sick	68,198
Total noncurrent liabilities	1,428,198
Total liabilities	3,486,689
NET ASSETS:	
Invested in capital assets—net of related debt	7,621,908
Restricted net assets:	
Columbus Foundation	173,868
Restricted for capital projects	4,271,123
Expendable endowments	92,885
Total restricted net assets	4,537,876
Unrestricted net assets (deficiency)	(1,036,005)
Total net assets	11,123,779
TOTAL	14,610,468

See accompanying notes to the basic financial statements.

FRANKLIN PARK CONSERVATORY
WOMEN'S SUSTAINING BOARD

STATEMENT OF FINANCIAL POSITION - COMPONENT UNIT
AS OF DECEMBER 31, 2006

ASSETS		
Cash	$	49,222
Accounts receivable		6,800
TOTAL		56,022
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable		27,065
Accounts payable - Franklin Park Conservatory		6,993
Accounts payable - Friends of the Conservatory		1,325
TOTAL		35,383
NET ASSETS—Unrestricted net assets		20,639
Total net assets		20,639
TOTAL		56,022

See accompanying notes to the basic financial statements.

FRANKLIN PARK CONSERVATORY
JOINT RECREATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2006

OPERATING REVENUES—Charges for goods and services	$	2,411,335
OPERATING EXPENSES:		
Personnel		2,705,077
Administrative		185,944
Contract services		189,061
Development		118,215
Education/interpretive		222,566
Visitor Services		431,023
Horticulture and engineering		157,081
Insurance		98,885
Marketing		428,002
Utilities		328,466
Gift shop		285,216
Master Plan		448,424
Total operating expenses		5,597,960
OPERATING LOSS BEFORE DEPRECIATION		(3,186,625)
DEPRECIATION		328,895
OPERATING LOSS		(3,515,520)
NONOPERATING REVENUE (EXPENSES):		
Intergovernmental:		
City		452,693
County		400,000
Donations and grants		2,014,739
Investment income		35,395
Interest expense		(53,784)
Total nonoperating revenue (expenses)		2,849,043
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS		(666,477)
CAPITAL CONTRIBUTIONS		2,397,199
CHANGE IN NET ASSETS		1,730,722
NET ASSETS—Beginning of year, restated		9,393,057
NET ASSETS—End of year	$	11,123,779

See accompanying notes to the basic financial statements.

FRANKLIN PARK CONSERVATORY
WOMEN'S SUSTAINING BOARD

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2006

REVENUE AND SUPPORT:		
Gardeners' fair	$	258,651
Member dues:		
Active		3,845
Sustainer		12,175
Contributions		5,570
Other		175
Member event		6,434
Interest		452
Total revenue and support		287,302
OPERATING EXPENSES:		
Donations to Franklin Park Conservatory		167,000
Gardeners' fair		112,642
Dues		6,185
Member event		6,160
Roster		679
Database		999
Meetings		650
Audit fees		2,500
New members		626
Newsletter		233
Miscellaneous		223
Total operating expenses		297,897
CHANGES IN NET ASSETS		(10,595)
NET ASSETS:		
Beginning of year		31,234
End of year	$	20,639

See accompanying notes to the basic financial statements.

FRANKLIN PARK CONSERVATORY
JOINT RECREATION DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$	2,378,773
Cash paid to employees		(2,714,317)
Cash paid to others		(2,916,905)
Net cash used in operating activities		(3,252,449)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from governmental entities		852,693
Cash received from loans		19,500
Cash received from donations and grants		2,128,327
Cash provided by noncapital financing activities		3,000,520
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property, plant, and equipment		(686,056)
Cash paid on loans		(475,000)
Contributed capital		1,175,026
Interest		(53,784)
Net cash used in capital and related financing activities		(39,814)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends received on cash and investments		21,124
Sale of investments		599,647
Net cash used in investing activities		620,771
NET DECREASE IN CASH AND CASH EQUIVALENTS		329,028
CASH AND CASH EQUIVALENTS—Beginning of year		169,622
CASH AND CASH EQUIVALENTS—End of year (including restricted cash of $317,961)	$	498,650
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss		(3,515,517)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation		328,895
(Increase) decrease in assets:		
Accounts receivable		(51,058)
Prepaids		(23,512)
Inventory		3,097
Increase (decrease) in liabilities:		
Accounts payable		(49,995)
Deferred revenue		33,413
Customer deposits		(14,921)
Accrued expenses		37,149
NET CASH USED IN OPERATING ACTIVITIES	$	(3,252,449)

Non-cash item: Purchase of capital assets included in accounts payable of $109,621.

See accompanying notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Franklin Park Conservatory Joint Recreation District (the “Conservatory”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City of Columbus (the "City") and Franklin County (the "County") agreed in 1990 to establish the Conservatory pursuant to the authority contained in Section 755.14 (B) of the Ohio Revised Code ("ORC") upon the conclusion of Ameriflora 1992, Inc.'s horticulture exposition held at Franklin Park Conservatory. The original agreement allows the Conservatory to exist for a term of 40 years ending August 31, 2032. However, the City and County may renew and extend the agreement for additional successive terms of 10 years, with the title to the Conservatory's assets reverting back to the City at the end of the agreement.

The Conservatory is governed by a 17-member board, eight of whom shall be appointed by the City of Columbus' Mayor subject to confirmation by the City Council and six appointed by Franklin County. Additionally, the Governor, the Speaker of the House of Representatives, and the President of the Senate of the State of Ohio shall each appoint one member to the Conservatory board. State appointed members are non-voting members if they also serve as members of the Ohio General Assembly; no member presently serves both roles.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the Conservatory is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit’s board and either (i) the Conservatory’s ability to impose its will over a component unit, or (ii) the possibility that the component unit will provide a financial benefit or impose a financial burden on the Conservatory. On that basis, the reporting entity of the Conservatory includes the Friends of the Conservatory as a blended component unit.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, as amendment of GASB Statement No. 14* (“GASB 39”) and implemented by the Conservatory effective January 1, 2004, further clarifies that certain organizations warrant an inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including ongoing financial support of the primary government. The Conservatory has determined that the Franklin Park Conservatory Women's Sustaining Board meets this definition and is therefore included as a discretely presented component unit in the Conservatory's financial statements.

Friends of the Conservatory—In July 1999, the Conservatory created Friends of the Conservatory ("Friends"), a separate legal not-for-profit corporation, in accordance with section 501(c)(3) of the Internal Revenue Code, to support the common good of the general public through the support and assistance of and cooperation with the Conservatory. Although it is legally separate from the Franklin Park Conservatory, Friends of the Conservatory is reported as if' it were part of the primary government because its sole purpose is to promote the Conservatory and raise capital and solicit funds in support of the Conservatory.

Franklin Park Conservatory Women's' Sustaining Board—In 1984, the Franklin Park Conservatory Women's Sustaining Board (the "Women's Board"), was organized to create awareness of the Conservatory, to provide support to the Conservatory and to broaden the base of support in the community for the Conservatory. The Women's Board is a legally separate not-for-profit organization in accordance with section 501(c)(3) of the Internal Revenue Code, and its financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the Financia1 Accounting Standards Board Statements and Interpretations. The Women's Board is considered a discretely presented component unit of the Conservatory under GASB 39.

WOW! Collaborative—In 2002, Franklin Park Conservatory became a member of the WOW! Collaborative, five conservatories and botanical gardens joined together to create traveling exhibitions.

Joint Venture—The arrangement between the City and the County establishing the Conservatory possesses the characteristics of an entity classified as a joint venture. The City contributed certain fixed assets to the Conservatory at the time of its inception and both the City and County have historically agreed to annual operating subsidies. In 2006, the subsidies totaled $1,102,693, including $250,000 which has been recorded as a capital contribution from the City. This represents 14% of the Conservatory's 2006 revenue and capital contributions. In the event of the Conservatory's liquidation, its assets will be transferred to the City. Based on the above, the Conservatory is a joint venture between the City and the County. Future capabilities of the Conservatory to operate at current service levels are dependent upon annual operating subsidiaries from the City and the County.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenue from charges for services are reported as operating revenues. Transactions, which are capital, financing, or investment related, are reported as non-operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies, and other miscellaneous expenses are reported as operating expense.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the Conservatory follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict or contradict GASB pronouncements. The Conservatory has elected to follow GASB guidance for proprietary funds rather than FASB guidance issued after November 30, 1989.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Conservatory considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash and cash equivalents consist of cash and cash equivalents restricted for endowments, donor restrictions, and use on various exhibits.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement. The Conservatory records all its investments at fair value, as required by Statement.

Inventory

All inventories are valued at cost using the average cost method.

Plant Collection

The Conservatory does not capitalize their plants. They are expensed as purchased. The plant collection is held for public exhibition and education, is protected, kept unencumbered, cared for, and preserved and is subject to a Conservatory policy that requires proceeds from sales of the plant collection be used to acquire other plant collections.

Capital Assets

Capital assets, which include property, plant and equipment, are capitalized at cost or estimated historical cost where no historical records exist. The Conservatory defines capital assets as those with an individual cost of more than $2,500. The Conservatory does not possess any infrastructure such as roads. Depreciation has been provided, where appropriate, using the straight-line method over useful lives ranging from 3 to 30 years.

Compensated Absences

The Conservatory follows GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued for vacation and sick leave if it is probable that the employee will be compensated through a cash payment.

Budgetary Accounting and Control

The Conservatory's annual budget is prepared on the accrual basis of accounting and approved by the Board of Directors. The budget includes anticipated amounts for current year revenues and expenses as well as new capital projects. The Conservatory maintains budgetary control by not permitting total operating expenses and expenditures for individual programs to exceed their respective budget amounts without the appropriate approvals. The Board is apprised bi-monthly of actual results compared to budget. All budget amounts lapse at year end.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. CASH AND INVESTMENTS

The investment and deposit of the Conservatory's monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, the Conservatory 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 agreements secured by United States obligations, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2006.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

Deposits with Financial Institutions_– At year-end, the carrying amount of the Conservatory's deposits with financials institutions was $497,639 and the total bank balance was $870,412 with the difference being due mainly to outstanding checks. Custodial credit risk is the risk that in the event of a bank failure, the Conservatory's deposits may not be returned to it. Of the bank balance, $232,650 of the bank balance was covered by deposit insurance provided by FDIC and $637,762 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Conservatory's name.

STAROhio – The Conservatory's investment in STAROhio is not evidenced by securities that exist in physical or book entry form. Investments in STAROhio were rated AAAm by Standard & Poor's. The Conservatory's investment balance with STAROhio was $1,011 at December 31, 2006.

The Conservatory held shares of common stock that were gifted to the Conservatory in December 2006. These shares with a fair market value of $4,511 were sold in January 2007.

3. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2006 was as follows:

	Balance 12/31/05	Additions	Disposals	Balance 12/31/06
Nondepreciable:				
Land	$ 100,000	-	-	100,000
Art collections	3,480,000	11,450	-	3,491,450
Construction in progress	393,134	740,941	-	1,134,075
Subtotal	3,973,134	752,391	-	4,725,525
Depreciable:				
Buildings	6,980,580	-	-	6,980,580
Building improvements	861,087	3,001	-	864,088
Equipment and fixtures	439,992	40,285	-	480,277
Vehicles	64,307	-	-	64,307
Subtotal	8,345,966	43,286	-	8,389,252
Totals at historical cost	12,319,100	795,677	-	13,114,777
Less accumulated depreciation:				
Buildings	3,141,262	232,686	-	3,373,948
Building improvements	303,719	50,093	-	353,812
Equipment and fixtures	291,446	39,132	-	330,578
Vehicles	48,547	6,984	-	55,531
Total accumulated depreciation	3,784,974	328,895	-	4,113,869
Capital assets, net	$ 8,534,126	466,782	-	9,000,908

4. DEFINED BENEFIT PENSION PLANS

All conservatory employees are required to participate in the statewide Ohio Public Employees Retirement System (“OPERS”). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan 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. The Combined Plan is 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 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.

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. 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 to OPERS, 277 East Town Street, Columbus, OH 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 2006, member and employer contribution rates were consistent across all three plans. The 2006 member contribution rates were 9.0% for members in state, local, and public safety classifications. The 2006 employer contribution rate for local employers was 13.70% of covered payroll. Total contributions paid by Conservatory were approximately $301,000, $285,000, and $279,000 in 2006, 2005, and 2004, respectively, which were equal to the required contributions each year.

5. POSTEMPLOYMENT BENEFITS

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit ("OPEB") as described in GASB Statement No. 12 *Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers*. A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2006, employer contribution rate for state employers was 13.54% of covered payroll; 4.50% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. The portion of the Conservatory's 2006 contributions that were used to fund postemployment benefits was approximately $99,000. The Ohio Revised Code provides that statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2005. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment of assets, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.50%. An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factoring ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2005, the actuarial value of the Retirement System's net assets available for OPEB was $11.1 billion. The number of active contributing participants was 358,804. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $31.3 billion and $20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan ("HCPP") with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

6. ACCRUED VACATION AND SICK LEAVE LIABILITY

A summary of changes in the accrued vacation and sick leave for the year ended December 31, 2006 follows:

		Balance 12/31/05	Additions	Reductions	Balance 12/31/06	Due in One Year
Vacation and sick leave	$	85,073	18,713	(17,408)	86,378	18,180

7. NOTES PAYABLE

Line of Credit - During 2006, the Conservatory negotiated a revolving credit agreement of $750,000, for operations, and a second non-replenishing credit agreement of $900,000 for construction. Both lines are with a bank, and bear interest at prime plus 1% due monthly when the lines have been drawn. These borrowings are collateralized by all personal property now owned and those to be acquired. At December 31, 2006 the amount outstanding on the lines of credit were $750,000 and $19,000, respectively.

Promissory Note - During 2005, Friends obtained a promissory note for $1,835,000 from a donor. The note is noninterest bearing and partially collateralized by certain pledged donations. The Note automatically matures in December 2009, and may be prepaid at any time. The note must be prepaid upon the collection of the pledged donations. At December 31, 2006, the outstanding balance on the note was $1,360,000.

8. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Conservatory at December 31, 2006.

9. RISK MANAGEMENT

The Conservatory maintains comprehensive insurance coverage with private carriers for real property, building contents, directors and officers' liability insurance and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, the Conservatory provides medical benefits to most of its employees on a fully insured basis with an independent insurance company. The premium rate is calculated based on claim history and administrative costs. The Conservatory is part of the state-wide plan for workers' compensation insurance coverage. There were no changes to the above policies during the current fiscal year. Claims experience over the past three years indicates that there were no instances of losses exceeding insurance overage.

10. ENDOWMENT FUNDS

In 1996, the Women's Sustaining Board created an Endowment Fund (the "Fund") for the Conservatory at the Columbus Foundation, an Ohio not-for-profit corporation. As of December 31, 2006, the Fund has assets, recorded in other noncurrent assets, with a fair value of $173,868. The Fund is included in the Conservatory's financial statements.

In July 1999, the Conservatory created Friends of the Conservatory ("Friends"), a separate legal not-for-profit corporation, in accordance with section 501(c)(3) of the Internal Revenue Code, to support the common good of the general public through the support and assistance of and cooperation with the Conservatory. During 2005, Friends began raising support for the Conservatory's Master Plan. The Master Plan is comprehensive strategic plan to promote programmatic and financial goals of the Conservatory. The support is donor restricted for use on the Master Plan. As of December 31, 2006, net assets of $4,271,123 were restricted for this purpose.

In 2001, Annie's Fund for the Creative Arts created an Endowment Fund for the Conservatory in the form of a collection of Koi (Japanese carp) fish. All donations received for the endowment fund are reserved for the care and support of these fish and their environment. At December 31, 2006, the endowment was valued at $52,939.

In December 2002, the Master Plan Gateway Fund was established for gateway development in Franklin Park. All donations received for the endowment fund will be used to build gateways in Franklin Park. At December 31, 2006, the fund was valued at $9,535.

In September 2006, the Growing to Green Endowment was established to support the annual program operations of the Conservatory's Growing to Green Program. At December 31, 2006, the fund was valued at $30,411.

11. FRANKLIN PARK CONSERVATORY WOMEN"S SUSTAINING BOARD

Revenue Recognition – All contributions are considered to be available for unrestricted use unless restricted by the donor for specific purpose. Contributions received with donor-imposed restrictions are reported as temporarily restricted or permanently restricted support that increases those net asset classes. If a restriction in fulfilled in the same time period in which the contribution is received, the Women's Board reports the support as restricted with a corresponding release in restriction.

Net Assets – As of December 31, 2006, the Women's Board had unrestricted net assets only.

Financial Statement Presentation – The Women's Board is required to disclose, on a functional basis, costs associated with each program. Substantially all of the expenses incurred by the Women's Board relate specifically to the Women's Board primary program, to provide donations in support if services to meet the needs of the Conservatory. Any expenses incurred which do not directly relate to this program are deemed immaterial for financial statement purposes and therefore, are not shown separately.

12. PRIOR PERIOD ADJUSTMENT

In 2005, errors were made in the revenue recognition of voluntary nonexchange transactions related to the Conservatory's Master Plan. All eligibility requirements of donors' contributions had been met and thus, the contributions should have been recognized as revenue.

Net assets at December 31, 2005 as previously reported	$	6,083,304
Revenue recognition for voluntary nonexchange transactions		3,309,753
Net assets at December 31, 2005, restated	$	9,393,057

13. SUBSEQUENT EVENT

In April 2007, the City and County entered into an amended and restated agreement regarding the Conservatory. The new agreement allows the Conservatory to exist until July 31, 2057, and increases the number of members of the Conservatory's governing board to 21. The additional 4 members of the board are appointed by a majority of the existing board members.

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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*

To the Board of Trustees of the
Franklin Park Conservatory Joint Recreation District:

We have audited the financial statements of the Franklin Park Conservatory Joint Recreation District (the "Conservatory") as of and for the year ended December 31, 2006, and have issued our report thereon dated June 20, 2007, which included a reference to other auditors who audited the financial statements of Franklin Park Conservatory Women's Sustaining Board, a discretely presented component unit of the Conservatory. 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 the Conservatory's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservatory's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Conservatory's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 function, 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 Conservatory'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 Conservatory's financial statements that is more than inconsequential will not be prevented or detected by the Conservatory's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as item 2006-1.

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 Conservatory'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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Conservatory'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2006-2.

We noted certain matters that we reported to management of the Conservatory in a separate letter dated June 20, 2007.

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 20, 2007

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

Schedule of Findings and Responses

Year Ended December 31, 2006

Financial Statement Findings

Finding 2006-1 – Revenue Recognition

As disclosed in Note 12 of the financial statements, the Conservatory restated net assets as of December 31, 2005 in the amount of $3.3 million. This restatement was necessary due to errors in revenue recognition of nonexchange transactions specifically related to voluntary nonexchange transactions. The Conservatory's revenue recognition policies did not conform to generally accepted accounting principles.

Management response: *Our previous auditors concurred with our treatment of deferring revenue recognition on our Capital Campaign donations on the basis that the contributions are contingent on being used for construction of the Master Plan. However, these donations are not contingent on the fulfillment of eligibility requirements by the Conservatory, but have purpose restrictions. As such, we agree that the revenue should not be deferred but recognized when the donations are made.*

Finding 2006-2 – Revolving Credit Agreements

The Ohio Revised Code indicates in Section 755.17 that a joint recreation district may issue bonds "for the purpose of acquiring lands or buildings, or extending, enlarging, or improving existing lands, facilities, or buildings for parks, playgrounds, playfields, gymnasiums, swimming pools, public baths, indoor recreation centers, or community centers, and for the equipment thereof." The Conservatory has entered into two revolving credit agreements with financial institutions to provide operating capital and capital for construction. It does not appear the Conservatory has statutory authority to enter such revolving credit agreements.

Management response: *Management, as well as our bank and legal counsel are aware of the situation and the Conservatory's apparent lack of authority to enter into such credit agreements. We are presently working to amend the statute to broaden the District's authority to include, among other powers, borrowing money other than through bonds backed by tax revenues.*

Mary Taylor, CPA
Auditor of State

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

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
JULY 5, 2007

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