



Dave Yost • Auditor of State

**CUYAHOGA COUNTY CONVENTION FACILITIES DEVELOPMENT CORPORATION
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Cuyahoga County Convention Facilities Development Corporation
Cuyahoga County
1 St. Clair Avenue, NE
Cleveland, Ohio 44114

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Cuyahoga County Convention Facilities Development Corporation, Cuyahoga County, Ohio (the Convention), a component unit of Cuyahoga County, Ohio, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Convention'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 Convention'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 Convention's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cuyahoga County Convention Facilities Development Corporation, Cuyahoga County as of December 31, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2017, on our consideration of the Convention'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 Convention's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 13, 2017

Cuyahoga County Convention Facilities Development Corporation

*Management's Discussion and Analysis
For the Years Ended December 31, 2015
Unaudited*

This discussion and analysis of the Cuyahoga County Convention Facilities Development Corporation's (the Corporation) financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2015. Readers should also review the basic financial statements and notes to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The Corporation's revenues exceeded expenses by \$3,345,882, thus increasing both the net position and the cash balance of the Corporation.
- The Corporation is cognizant of providing the best public services while staying within projected revenues.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the readers can understand the Cuyahoga County Convention Facilities Development Corporation as a financial whole.

Overview of the Financial Statements

The Corporation's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standard Board (GASB). The financial information of the Corporation is accounted for in a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. See the notes to the financial statements for a summary of the Corporation's significant accounting policies.

Following this management's discussion and analysis are the basic financial statements of the Corporation together with the notes, which are essential to a full understanding of the data contained in the financial statements. Included in the financial statements for the Corporation are the following:

- Statement of Net Position – This statement presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position.
- Statement of Revenues, Expenses and Changes in Net Position - This statement includes all operating and nonoperating revenues and expenses for the Corporation and shows the change in the Corporation's net position during the most recent year.
- Statement of Cash Flows — This statement reports cash and cash equivalent activities for the year resulting from operating, capital and investing activities. A reconciliation of operating income with cash provided from operations is included.

Cuyahoga County Convention Facilities Development Corporation

Management's Discussion and Analysis

For the Years Ended December 31, 2015

Unaudited

Financial Analysis

Table 1 reflects the net position for 2015 as compared to net position for 2014.

(Table 1)
Net Position

	2015	2014	Change
Assets			
Current and Other Assets	\$332,988,656	\$349,559,326	(\$16,570,670)
Capital Assets, Net	587,542	0	587,542
<i>Total Assets</i>	<u>333,576,198</u>	<u>349,559,326</u>	<u>(15,983,128)</u>
Liabilities			
Current Liabilities	2,668,661	2,189,953	(478,708)
Long-term Liabilities			
Due Within One Year	20,794,437	19,807,718	(986,719)
Due in More Than One Year	300,802,180	321,596,617	20,794,437
<i>Total Liabilities</i>	<u>324,265,278</u>	<u>343,594,288</u>	<u>19,329,010</u>
Net Position			
Investment in Capital Assets	587,542	0	587,542
Unrestricted	8,723,378	5,965,038	2,758,340
<i>Total Net Position</i>	<u>\$9,310,920</u>	<u>\$5,965,038</u>	<u>\$3,345,882</u>

The assets of the Corporation exceeded its liabilities at the close of 2015 by \$9,310,920 (net position), \$8,723,378 of which is unrestricted. Net position increased, as a decrease in liabilities outpaced a decrease in assets. The decrease in assets is due to a decrease in the lease receivable, partially offset by an increase in the Corporation's cash balance. The decrease in liabilities is due to the annual payment of principal on the loan payable.

Cuyahoga County Convention Facilities Development Corporation

*Management's Discussion and Analysis
For the Years Ended December 31, 2015
Unaudited*

Table 2 shows the changes in net position for 2015 as compared to the changes in net position for 2014.

(Table 2)
Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenues			
Operating Revenues	\$23,466,984	\$18,312,176	\$5,154,808
Non-Operating Revenues	<u>16,192,386</u>	<u>17,132,180</u>	<u>(939,794)</u>
<i>Total Revenues</i>	<u>39,659,370</u>	<u>35,444,356</u>	<u>4,215,014</u>
Expenses			
Operating Expenses	20,121,206	13,274,124	6,847,082
Non-Operating Expenses	<u>16,192,282</u>	<u>17,132,180</u>	<u>(939,898)</u>
<i>Total Expenses</i>	<u>36,313,488</u>	<u>30,406,304</u>	<u>5,907,184</u>
<i>Income Before Capital Contributions</i>	3,345,882	5,038,052	(1,692,170)
Capital Contributions	<u>0</u>	<u>926,986</u>	<u>(926,986)</u>
<i>Change in Net Position</i>	3,345,882	5,965,038	(2,619,156)
<i>Net Position Beginning of Year</i>	<u>5,965,038</u>	<u>0</u>	<u>5,965,038</u>
<i>Net Position End of Year</i>	<u>\$9,310,920</u>	<u>\$5,965,038</u>	<u>\$3,345,882</u>

The Corporation's revenues exceeded its expenses by \$3,345,882. Although operating expenses increased over the prior year, increased operating revenue was more than sufficient to cover these costs.

The Corporation's primary operating revenues are charges for services for the use of the Cleveland Convention Center and the Global Center for Health Innovation. These receipts represented 75.95 percent of the total operating revenues received during the year.

The Corporation's primary operating expenses are contractual services for running the Cleveland Convention Center and the Global Center for Health Innovation in addition to vendors used for special events held there. These expenses represent 88.53 percent of the total operating expenses incurred during the year. The Corporation also had expenses for personal services related to the management of the Cleveland Convention Center and Global Center for Health Innovation. These expenses represented 0.35 percent of total operating expenses incurred during the year.

Capital Assets

At December 31, 2015, the Corporation had capital assets net of accumulated depreciation in the amount of \$587,542. Information relative to capital assets is identified in Note 5 to the basic financial statements.

Cuyahoga County Convention Facilities Development Corporation

*Management's Discussion and Analysis
For the Years Ended December 31, 2015
Unaudited*

Debt

At December 31, 2015, the Corporation had an outstanding loans payable in the amount of \$321,596,617 payable to Cuyahoga County for the Global Center for Health Innovation building. Information relative to debt is identified in Note 6 to the basic financial statements.

Current Known Facts and Conditions

The Corporation has assumed the responsibility to manage the Cleveland Convention Center (the Center) and Global Center for Health Innovation (GCHI). Both venues are state-of-the art and GCHI is one of a kind because it displays the future of health and health care. The Corporation has contracted with SMG to operate the Center and GCHI. SMG is the nation's largest and most experienced convention center and facility management firm. With this partnership, the Corporation is certain the Center and GCHI will be profitable and maintain their distinctions.

The challenge for all governments is to provide quality services while staying within the restrictions imposed by limited funding. Management is continually reviewing plans to determine the most efficient use of funds and resources.

Contacting the Corporation's Management

This financial report is designed to provide our citizens and creditors with a general overview of the Corporation's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information, contact George Hillow at Cuyahoga County Convention Facilities Development Corporation, 1 St. Clair NE, Cleveland, OH 44114, or by email at ghillow@cccfdc.com.

Cuyahoga County Convention Facilities Development Corporation

Statement of Net Position

December 31, 2015

Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$11,099,775
Accounts Receivable	178,889
Lease Receivable	321,596,617
Prepaid Items	109,895
Materials and Supplies Inventory	<u>3,480</u>
<i>Total Current Assets</i>	332,988,656
<i>Noncurrent Assets:</i>	
Depreciable Capital Assets, Net	<u>587,542</u>
<i>Total Assets</i>	<u>333,576,198</u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	1,470,326
Intergovernmental Payable	12,103
Loan Payable	20,794,437
Unearned Revenue	<u>1,186,232</u>
<i>Total Current Liabilities</i>	23,463,098
<i>Long-Term Liabilities:</i>	
Loan Payable (net of current portion)	<u>300,802,180</u>
<i>Total Liabilities</i>	<u>324,265,278</u>
Net Position	
Investment in Capital Assets	587,542
Unrestricted	<u>8,723,378</u>
<i>Total Net Position</i>	<u><u>\$9,310,920</u></u>

See accompanying notes to the basic financial statements

Cuyahoga County Convention Facilities Development Corporation

*Statement of Revenues,
Expenses and Changes in Net Position
For the Years Ended December 31, 2015*

Operating Revenues	
Charges for Services	\$17,823,094
Operating Grants	5,400,000
Other	243,890
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<i>Total Operating Revenues</i>	<i>23,466,984</i>
	<hr/>
Operating Expenses	
Personal Services	69,793
Contractual Services	17,813,062
Materials and Supplies	2,238,351
	<hr/>
<i>Total Operating Expenses</i>	<i>20,121,206</i>
	<hr/>
<i>Operating Income</i>	<i>3,345,778</i>
	<hr/>
Non-Operating Revenue (Expenses)	
Interest and Fiscal Charges	(16,192,282)
Interest	16,192,386
	<hr/>
<i>Total Non-Operating Revenues (Expenses)</i>	<i>104</i>
	<hr/>
<i>Change in Net Position</i>	<i>3,345,882</i>
	<hr/>
<i>Net Position Beginning of Year</i>	<i>5,965,038</i>
	<hr/>
<i>Net Position End of Year</i>	<i>\$9,310,920</i>
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See accompanying notes to the basic financial statements

Cuyahoga County Convention Facilities Development Corporation

Statement of Cash Flows

For the Years Ended December 31, 2015

<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$18,414,452
Cash Received from Cuyahoga County	25,970,218
Other Cash Receipts	243,890
Cash Payments to Employees for Services	(57,690)
Cash Payments for Goods and Services	<u>(20,018,299)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>24,552,571</u>
Cash Flows from Capital and Related Financing Activities	
Principal Payments - Loan Payable	(19,807,718)
Interest Payments - Loan Payable	(16,192,282)
Payments for Capital Acquisitions	<u>(587,542)</u>
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(36,587,542)</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>16,192,386</u>
<i>Net Increase in Cash and Cash Equivalents</i>	4,157,415
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>6,942,360</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$11,099,775</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$3,345,778
(Increase) Decrease in Assets:	
Accounts Receivable	183,107
Intergovernmental Receivable	762,500
Lease Receivable	19,807,718
Prepaid Items	(21,760)
Materials and Supplies Inventory	(3,480)
Increase (Decrease) in Liabilities:	
Accounts Payable	600,185
Accrued Wages and Benefits	(297,059)
Intergovernmental Payable	(232,669)
Unearned Revenue	<u>408,251</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$24,552,571</u></u>

See accompanying notes to the basic financial statements

Cuyahoga County Convention Facilities Development Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Note 1 - Description of the Entity

The Cuyahoga County Convention Facilities Development Corporation, (the Corporation) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Corporation was formed on December 12, 2013 pursuant to Chapters 343 and 3734 of the Ohio Revised Code. The Corporation is directed by a three-member Board of Directors comprised of one individual appointed by the Cuyahoga County Executive, an individual appointed by the President of the Cuyahoga County Council, and an individual appointed by the joint selection of Destination Cleveland and the Greater Cleveland Partnership. The Corporation promotes the common good and general welfare of residents of Cuyahoga County by enhancing the creation of new employment opportunities and supporting economic growth by overseeing the management of the Cleveland Convention Center and Global Center for Health Innovation.

The Corporation is a discretely presented component unit of Cuyahoga County's Comprehensive Annual Financial Report, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 14. The Corporation's management believes the accompanying financial statements include all activities over which the Corporation is financially accountable.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Corporation 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. The more significant of the Corporation's accounting policies are described below.

Basis of Presentation

The Corporation's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The Corporation uses enterprise accounting to maintain its financial records during the year. Enterprise accounting focuses on the determination of operating income, change in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

The Corporation uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Corporation 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 total net position. The statement of cash flows provides information about how the Corporation finances and meets the cash flow needs of its enterprise activity.

Cuyahoga County Convention Facilities Development Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Corporation's financial statements are prepared using the accrual basis of accounting. On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the Corporation receives value without directly giving equal value in return, include capital contributions. Expenses are recognized at the time they are incurred.

Unearned Revenue Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. For the Corporation, revenue received as of December 31, 2015, for 2016 services, has been recorded as unearned.

Cash and Cash Equivalents

To improve cash management, cash received by the Corporation is pooled. Individual fund integrity is maintained through the Corporation's records. The Corporation had no investments during the year or at the end of the year.

Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

Prepays

Payments made to vendors for services that will benefit periods beyond the current year, are recorded as prepaid items using the consumption method by recording a current asset for the period amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Materials and Supplies Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Capital Assets

Capitalized assets utilized by the Corporation are reported on the statement of net position. All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Corporation maintains a capitalization threshold of two thousand five hundred dollars. 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 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 the following useful lives:

Cuyahoga County Convention Facilities Development Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	15 years
Furniture and Fixtures	10 years
Equipment	5 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Corporation, these revenues are for event income and operating grants from Cuyahoga County. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Corporation. All revenues and expenses not meeting these definitions are reported as non-operating.

Estimates

The preparation of the 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.

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 its use or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Corporation applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 3 – Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the Corporation will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2015, \$11,038,672 of the Corporation's bank balance of \$11,288,672 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions' trust departments and all statutory requirements for the deposit of money had been followed, noncompliance with the Federal requirements could potentially subject the Corporation to a successful claim by the FDIC.

The Corporation has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Corporation or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Cuyahoga County Convention Facilities Development Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Note 4 – Receivables

Receivables at December 31, 2015, consisted of accounts (special event rental space) and intergovernmental and a lease receivable from Cuyahoga County. All receivables, except the lease receivable, are expected to be collected within one year. A portion of the accounts receivable includes an amount the Corporation will not collect within one year. During 2014, the Corporation assumed the loans payable and lease receivable from Merchandise Mart Properties, Inc.

	<u>Accounts Receivable</u>	<u>Estimated Uncollectible</u>	<u>Net Receivable</u>
Allowance for Doubtful Accounts	<u>\$198,614</u>	<u>\$19,725</u>	<u>\$178,889</u>

The County entered into a lease agreement with the Corporation for the Facility. During 2014, the Corporation assumed the lease receivable in the amount \$360,272,155 from Merchandise Mart Properties, Inc. This lease meets the definition of a capital lease under GASB 62. The County will make monthly lease payments through 2027. As of December 31, 2015, the lease receivable is \$321,596,617.

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2015, was as follows:

	<u>Balance 12/31/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/2015</u>
Capital Assets being depreciated:				
Building and Improvements	\$0	\$373,322	\$0	\$373,322
Furniture and Fixtures	0	89,490	0	89,490
Equipment	<u>0</u>	<u>124,730</u>	<u>0</u>	<u>124,730</u>
Total Capital Assets being depreciated	<u>0</u>	<u>587,542</u>	<u>0</u>	<u>587,542</u>
Less Accumulated Depreciation				
Building and Improvements	0	0	0	0
Furniture and Fixtures	0	0	0	0
Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Accumulated Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, net	<u>\$0</u>	<u>\$587,542</u>	<u>\$0</u>	<u>\$587,542</u>

Note 6 – Long-term Obligations

	<u>Outstanding 12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2015</u>	<u>Amount Due in One Year</u>
Loan Payable	<u>\$341,404,335</u>	<u>\$0</u>	<u>\$19,807,718</u>	<u>\$321,596,617</u>	<u>\$20,794,437</u>

Cuyahoga County Convention Facilities Development Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

The annual requirements to retire the loan payable are as follows:

Year	Principal	Interest
2015	\$20,794,437	\$15,205,563
2016	21,830,309	14,169,691
2017	22,917,783	13,082,217
2018	24,059,430	11,940,570
2019	25,257,947	10,742,053
2020-2024	146,464,394	33,535,606
2025-2027	60,272,317	2,727,683
Total	<u>\$321,596,617</u>	<u>\$101,403,383</u>

Note 7 – Benefit and Postemployment Plan

The employees of the Corporation are eligible to participate in the management company's 401(k) Plan, under which employees can make elective deferrals as provided for under Internal Revenue Code section 401k. The management company may make a discretionary matching contribution for each employee participating in the plan.

Note 8 – Operating Lease Obligations

The Corporation has a non-cancellable operating lease for office equipment. The future minimum required lease payments are as follows:

Year Ending December 31,	Office Equipment
2016	\$6,020
2017	6,020
2018	3,010
Total	<u>\$15,050</u>

Net rental expense for the year ended December 31, 2015 was \$16,893.

On December 27, 2013, the County entered into a sublease and operation agreement with the Cuyahoga County Convention Facilities and Development Corporation (the Corporation). The Corporation is to operate the Facility solely as a convention center and medical or health industry showroom/office/educational facility and any legally permitted activities that are reasonably associated therewith, including without limitation trade and consumer shows, including setting the rates. This operating lease expires in 2027.

Cuyahoga County Convention Facilities Development Corporation

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Note 9 – Risk Management

Workers' compensation coverage is provided by the State of Ohio. The Corporation pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

During the year, the Corporation contracted with various vendors for the following types of insurance:

Type of Coverage	Coverage	Deductible
General Liability:		
Each Occurrence	\$1,000,000	\$0
Personal Injury	1,000,000	0
General Aggregate	3,000,000	0
Employer Liability:		
Each Accident	1,000,000	0
Each Employee	1,000,000	0
Policy Limit	1,000,000	0
Rented Equipment	100,000	0
Automobile Liability	1,000,000	1,000
Umbrella Liability	25,000,000	0
Liquor Liability	1,000,000	0
Crime	5,000,000	0
Employment Practices	3,000,000	0
Professional Liability	2,000,000	150,000

Note 10 – Related Party Transactions

During 2015, the Corporation received \$36,000,000 in capital lease payment and \$5,400,000 as required by various lease agreements from Cuyahoga County. For legal purposes, all payments made by the County to the Corporation are called monthly base rental payments in the lease agreements.

During 2015, the Corporation paid \$36,000,000 in loan repayments to Cuyahoga County as required by the loan agreements. The Corporation paid \$19,807,718 towards loan principal reduction during 2015 leaving a remaining balance of \$321,596,617 as of December 31, 2015.

Note 11 – Subsequent Event

On April 18, 2016, the Corporation adopted the Amended and Restated Articles of Incorporation. The Amended and Restated Articles of Incorporation increased the number of board members from three to seven.

During 2016, the Corporation established capital repair budget and reserve accounts, consisting of (1) a capital repair and replacement reserve, (2) a capital improvements reserve, which would include tenant build-out, and (3) a capital equipment reserve.

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

Cuyahoga County Convention Facilities Development Corporation
Cuyahoga County
1 St. Clair Avenue, NE
Cleveland, Ohio 44114

To the Board of Directors:

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 Cuyahoga County Convention Facilities Development Corporation, Cuyahoga County, Ohio (the Convention) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Convention's basic financial statements and have issued our report thereon dated June 13, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Convention's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Convention'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 Convention'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 Convention'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 Convention's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Convention's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

June 13, 2017



Dave Yost • Auditor of State

CUYAHOGA COUNTY CONVENTION FACILITIES DEVELOPMENT CORPORATION

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
JUNE 27, 2017**