

# Huntington Park

Named *"Best of the Ballparks"* by Ballpark Digest.com



**Franklin County Stadium, Inc. dba Huntington Park  
and Columbus Baseball Team, Inc. dba Columbus Clippers  
(A Component Unit of Franklin County)**

**Combined Financial Statements  
December 31, 2017**

**PLATTENBURG**  
Certified Public Accountants





# Dave Yost • Auditor of State

Board of Trustees  
Franklin County Stadium, Inc.  
dba Huntington Park and Columbus Baseball Team, Inc.  
dba Columbus Clippers  
330 Huntington Park Lane  
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Franklin County Stadium, Inc. dba Huntington Park and Columbus Baseball Team, Inc. dba Columbus Clippers, Franklin County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2017 through December 31, 2017. 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 County Stadium, Inc. dba Huntington Park and Columbus Baseball Team, Inc. dba Columbus Clippers is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 25, 2018

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Franklin County Stadium, Inc. dba Huntington Park and  
Columbus Baseball Team, Inc. dba Columbus Clippers

### Report on the Financial Statements

We have audited the accompanying combined statement of financial position of Franklin County Stadium, Inc. dba Huntington Park and Columbus Baseball Team, Inc. dba Columbus Clippers (collectively referred to as the "Organization"), a component unit of Franklin County, Ohio, as of December 31, 2017, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of December 31, 2017, and the combined changes in its financial position and its combined cash flows for the year then ended in accordance with 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 that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2018, on our consideration of the Organization'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 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 Organization's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Columbus, Ohio

April 5, 2018

**Franklin County Stadium, Inc. dba Huntington Park  
and Columbus Baseball Team, Inc. dba Columbus Clippers  
(A Component Unit of Franklin County)**



**Management's Discussion and Analysis  
For the Year Ended December 31, 2017  
(Unaudited)**

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This discussion and analysis, along with the accompanying financial report, of the Franklin County Stadium, Inc. and Columbus Baseball Team, Inc. dba The Columbus Clippers (the "Organization") is designed to provide our creditors and other interested parties with a general overview of the Organization and its financial activities.

**Financial Highlights**

The total assets of the Organization on December 31, 2017 were \$27,165,124, an increase of \$810,629 from 2016.

The net position of the Organization on December 31, 2017 was \$17,362,876, an increase of \$1,440,170 from 2016.

The Organization had total revenues of \$12,316,434 for 2017, an increase of \$404,480 from 2016.

**Overview of Basic Financial Statements**

The Organization is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The Combined Statement of Financial Position includes all of the Organization's Assets and Liabilities. This statement provides information about the nature and amounts of investments in resources (assets) owned by the Organization, and obligations owed by the Organization (liabilities). The Organization's net position (equity) is the difference between assets and liabilities.

The Combined Statement of Revenues, Expenses, and Changes in Net Position provide information on the Organization's operations over the past year. Revenues are reported when earned and expenses are reported when incurred.

The Combined Statements of Cash Flows provides information about the Organization's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing and financing activities.

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Franklin County Stadium, Inc. dba Huntington Park  
 and Columbus Baseball Team, Inc. dba Columbus Clippers  
 (A Component Unit of Franklin County)



Management's Discussion and Analysis  
 For the Year Ended December 31, 2017  
 (Unaudited)

**Combined Net Position**

Table 1 provides a summary of the Organization's net position for 2017 compared to 2016:

Table 1  
 Net Position

	2017	2016
Assets:		
Current Assets	\$5,992,009	\$5,357,971
Other Assets	21,173,115	20,996,524
Total Assets	<u>27,165,124</u>	<u>26,354,495</u>
Liabilities:		
Current Liabilities	3,381,076	3,291,289
Long-Term Liabilities	6,421,172	7,140,500
Total Liabilities	<u>9,802,248</u>	<u>10,431,789</u>
Net Position:		
Net Investment in Capital Assets	1,816,713	1,390,852
Unrestricted	15,546,163	14,531,854
Total Net Position	<u>\$17,362,876</u>	<u>\$15,922,706</u>

The Organization had an increase of net position for \$1,440,170 from 2016 to 2017.

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**Franklin County Stadium, Inc. dba Huntington Park  
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(A Component Unit of Franklin County)**



**Management's Discussion and Analysis  
For the Year Ended December 31, 2017  
(Unaudited)**

**Combined Statement of Revenues, Expenses, and Changes in Net Position**

Table 2 below summarizes the changes in revenues, expenses, and the resulting change in net position for 2017 and 2016.

Table 2  
Changes in Revenues, Expenses and Net Position

	2017	2016
Revenues:		
Ticket Sales	\$4,374,505	\$4,058,492
Concessions	2,445,712	2,276,268
Souvenirs	851,981	713,066
Parking	167,329	169,937
Sponsorships and Advertising	4,177,420	4,303,359
Special Events	156,934	167,505
Other Revenues	142,553	223,327
Total Operating Revenues	<u>12,316,434</u>	<u>11,911,954</u>
Operating Expenses:		
Ball Park	4,990,700	5,122,642
Payroll and Related Taxes	3,380,255	3,238,055
Team	794,721	888,304
Souvenirs	463,812	426,254
Advertising	196,753	182,354
Depreciation	383,253	377,567
Other Expenses	806,201	802,497
Total Operating Expenses	<u>11,015,695</u>	<u>11,037,673</u>
Changes in Net Position from Operations	1,300,739	874,281
Non-Operating Revenues (Expenses):		
Interest Income	39,269	41,328
Net Realized and Unrealized Gains on Marketable Securities	145,883	(300,785)
Loss on Sale or Disposal of Capital Assets	(45,721)	0
Total Non-Operating Revenues	<u>139,431</u>	<u>(259,457)</u>
Changes in Net Position	1,440,170	614,824
Net Position at Beginning of Year	<u>15,922,706</u>	<u>15,307,882</u>
Net Position at End of Year	<u><u>\$17,362,876</u></u>	<u><u>\$15,922,706</u></u>

**Franklin County Stadium, Inc. dba Huntington Park  
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(A Component Unit of Franklin County)**



**Management's Discussion and Analysis  
For the Year Ended December 31, 2017  
(Unaudited)**

**Capital Assets**

The Organization had capital assets of \$1,903,682 as of at December 31, 2017. Table 3 shows 2017 capital asset balances compared to 2016 capital asset balances:

Table 3  
Capital Assets

	2017	2016
Construction in Progress	\$504,643	\$0
Machinery and Equipment	3,524,217	3,631,017
Leasehold Improvements	1,140,575	889,493
Capital Assets, at cost	5,169,435	4,520,510
Less: Accumulated Depreciation	(3,265,753)	(2,943,579)
Capital Assets, net	<u>\$1,903,682</u>	<u>\$1,576,931</u>

Overall, capital assets increased due to current year depreciation expense being less than current year additions.

See note 4 in the notes to the basic financial statements for further details on the Organization's capital assets.

**Additional Information about the Organization**

This management analysis compares year-to-year operations and expenditures for years eight and nine of Huntington Park. Last season's final paid attendance of 616,059 was down slightly from the previous year, yet represents the ninth consecutive season that paid attendance was in excess of 600,000; ranking us third in the country in total attendance out of 160 minor league franchises. This past season proved to be very troublesome from a weather standpoint, as once again three crucial rainouts occurred, all on Friday nights. The loss of three Friday night home openings were detrimental to our operation for the entire season. For the 2017 season the Clippers were ranked third in daily paid attendance with an average of 9,109 tickets sold per game. Our income was up slightly however, and our expenses were down slightly and continue to be closely monitored. This balance of income versus expenses successfully helps to maintain projected profit levels to continue to service the debt on Huntington Park in an aggressive manner and well in front of the timelines originally projected. Once again, all budget figures were within accepted variables and season nine can be considered another financial and artistic success. With a payment to the County of an additional one million dollars paid last March, 2017, the County's and team's variable debt on Huntington Park was paid in full. Payments on the County's and team's fixed long-term debt will continue each month as scheduled. It should be noteworthy that the team continues to dedicate approximately 33% of its annual revenues to retire and manage the debt on Huntington Park.

The team is able to continue their long standing promise to the community that there would not be significant price increases in attending our games; and in fact, we kept that promise by not increasing



**Management's Discussion and Analysis  
For the Year Ended December 31, 2017  
(Unaudited)**

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any ticket prices for daily box & reserved seats for an ninth straight year. We did however, continue our previous policy which had a price difference for general admission tickets purchased in advance with those purchased on the day of the game. Concession prices were once again permitted a small increase of approximately 2-3% that coincided with actual raw material costs. However, the new park and new location have continually allowed for the introduction of many new food items that have been very well received by our fans. Huntington Park has received accolades as one of the country's vegetarian-friendly ballparks and has continued to present menu items acknowledging industry trends towards the addition of gluten-free items and healthy menu choices. Souvenir income has stayed relatively constant, but did show an increase this past season. This ninth season at our beautiful ballpark also marked the ninth season of our affiliation with the Cleveland Indians. Our relationship with the Cleveland Indians and our relationship with our fans continues to grow in a very positive manner. In fact, Huntington Park was again honored by another publication as the "Best Ballpark of the Year", and this represents our seventh such award in our first nine seasons.

Ballpark needs and maintenance were consistent with past seasons. We are still in the process of settling into this ballpark and it continues to "mature". Utility costs were up once again, and management aggressively controls this to the best of their ability. Rising energy costs and unpredictable weather contribute to these additional expenses. Insurance costs remain fairly flat and consistent due to renegotiated premiums and changes in baseball industry requirements throughout the country. Overall, team expenses decreased slightly due to reduced airline travel required by the nuances of the schedule for the regular 142 game season.

The overall audit indicates another profitable year from an operations standpoint; reserves started being used in 2005 for the planning and eventual move to Huntington Park. Since then, the team has expended almost \$37 million dollars in that area of its operations in addition to initial sponsorship payments made to Franklin County prior to moving into Huntington Park.

On December 5, 1976, for the sum of \$25,000, the Board of Trustees of Columbus Baseball Team, Inc., doing business as the Columbus Clippers [Minor League] Professional Baseball Organization (Clippers), purchased a "franchise" position in Triple-A Minor League Baseball from the Pittsburgh Athletic Company, Inc., doing business as the Pittsburgh Pirates [Major League] Professional Baseball Organization. Long ago, that purchase price was amortized on the financial statements of the Organization.

In the last 41 years, the valuation of franchises in Minor League Baseball has dramatically evolved, evidenced by confirmed sales figures. Before addressing the current valuation of the Clippers franchise, one must understand the answer to this question: What is a "franchise" within the structure and rules of Minor League Baseball? As dictated by the terms of the Constitution and By-Laws of the International League of Professional Baseball Clubs, Inc. (International League), the Triple-A league in which the Clippers hold membership, the franchise is actually "owned" by the International League. The members within the International League are vested with "rights of membership" that translate to exclusive operational rights and obligations to the International League, Minor League Baseball, and the Office of the Commissioner of Baseball. Since the Rules of Baseball confer each of the thirty Triple-A teams with the right to affiliate (through a standardized "Player Development Contract") with one of the thirty

**Franklin County Stadium, Inc. dba Huntington Park  
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**Management's Discussion and Analysis  
For the Year Ended December 31, 2017  
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Major League Baseball organizations, the ownership of a Triple-A league membership exists and functions within a lawfully restricted and finite number of organizations – just thirty. The same analysis applies to the Double-A level of teams within Minor League Baseball.

Demonstrative and illustrative of this increase in the fair market valuation of Minor League Baseball franchises as a whole is the value of our membership in the International League. In an article in Forbes, the magazine claimed, "On average, the top 20 [Minor League Baseball franchises], irrespective of classification, are worth approximately \$22 million." Forbes Magazine has since then evaluated all the teams in our industry for all classifications and selected the Columbus Clippers as the fourth most valuable franchise in the industry. In 2007, the Board of Trustees of the Clippers entered into an agreement with the Franklin County Commissioners, which requires that the Clippers Board shall not sell the Clippers franchise without the express consent of the Franklin County Commissioners. As such, valuation of the Clippers franchise is largely a moot issue since the Clippers franchise will not be placed on the market. Even so, the Clippers franchise undoubtedly represents a contractually encumbered multi-million dollar asset effectively owned by the people of Franklin County, Ohio. As of today, to the knowledge of the Clippers management, no exactly similar, comparable organization exists in all of professional sports in the United States.

**Contact Information**

Questions regarding this report and requests for additional information should be forwarded to Ashley Ramirez, Director of Finance, 330 Huntington Park Lane, Columbus, Ohio 43215.

**Franklin County Stadium, Inc. dba Huntington Park  
and Columbus Baseball Team, Inc. dba Columbus Clippers  
(A Component Unit of Franklin County)**



**Combined Statement of Financial Position  
December 31, 2017**

Assets

Current Assets:

Cash and Cash Equivalents	\$406,602
Accounts Receivable	131,547
Investments in Marketable Securities	1,929,861
Souvenir and Equipment Inventory	173,779
Current Portion of Prepaid Rent Expense	3,348,000
Other Prepaid Expenses	2,220
Total Current Assets	<u>5,992,009</u>

Other Assets:

Prepaid Rent Expense, Net of Current Portion	18,324,657
Cash Surrender Value of Life Insurance Policies	927,076
Capital Assets, Net	1,903,682
Other Non-Current Assets	17,700
Total Other Assets	<u>21,173,115</u>

Total Assets	<u><u>\$27,165,124</u></u>
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Liabilities and Net Position

Current Liabilities:

Accounts Payable	\$234,200
Current Portion of Capital Lease Obligations	86,969
Unearned Ticket Sales Revenue	1,239,407
Current Portion of Unearned Sponsorship Revenue	1,820,500
Total Current Liabilities	<u>3,381,076</u>

Long-Term Liabilities:

Compensation Agreements	903,972
Unearned Sponsorship Revenue, Net of Current Portion	5,517,200
Total Long-Term Liabilities	<u>6,421,172</u>

Total Liabilities	9,802,248
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Net Position:

Net Investment in Capital Assets	1,816,713
Unrestricted	15,546,163
Total Net Position	<u>17,362,876</u>

Total Liabilities and Net Position	<u><u>\$27,165,124</u></u>
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See accompanying notes to the financial statements.

**Franklin County Stadium, Inc. dba Huntington Park  
and Columbus Baseball Team, Inc. dba Columbus Clippers  
(A Component Unit of Franklin County)**



**Combined Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended December 31, 2017**

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Revenues:	
Ticket Sales	\$4,374,505
Concessions	2,445,712
Souvenirs	851,981
Parking	167,329
Sponsorships and Advertising	4,177,420
Special Events	156,934
Other Revenues	142,553
Total Revenues	<u>12,316,434</u>
Expenses:	
Ball Park	4,990,700
Payroll and Related Taxes	3,380,255
Team	794,721
Souvenirs	463,812
Advertising	196,753
Depreciation	383,253
Other Expenses	806,201
Total Expenses	<u>11,015,695</u>
Changes in Net Assets from Operations	<u>1,300,739</u>
Non-Operating Revenues (Expenses):	
Interest Income	39,269
Net Realized and Unrealized Gain/(Loss) on Marketable Securities	145,883
Gain (Loss) on Sale or Disposal of Capital Assets	<u>(45,721)</u>
Total Non-Operating Revenues (Expenses)	<u>139,431</u>
Change in Net Position	1,440,170
Net Position Beginning of Year	<u>15,922,706</u>
Net Position End of Year	<u><u>\$17,362,876</u></u>

See accompanying notes to the financial statements.

**Franklin County Stadium, Inc. dba Huntington Park  
and Columbus Baseball Team, Inc. dba Columbus Clippers  
(A Component Unit of Franklin County)**



**Combined Statement of Cash Flows  
For the Fiscal Year Ended December 31, 2017**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$11,539,641
Cash Paid to Suppliers	(6,930,493)
Cash Paid to Employees	<u>(3,371,136)</u>
Net Cash Provided by (Used in) Operating Activities	1,238,012
Cash Flows from Capital and Related Financing Activities:	
Principal Payments Made on Capital Lease Obligations	(99,110)
Payments for the Purchase of Capital Assets	<u>(755,725)</u>
Net Cash Used in Capital and Related Financing Activities	(854,835)
Cash Flows from Investing Activities:	
Proceeds from the Sale of Investments in Marketable Securities	916,871
Purchase of Investments in Marketable Securities	<u>(1,710,000)</u>
Net Cash Provided by (Used in) Investing Activities	(793,129)
Net Increase in Cash and Cash Equivalents	(409,952)
Cash and Cash Equivalents, Beginning of Year	<u>816,554</u>
Cash and Cash Equivalents, End of Year	<u><u>\$406,602</u></u>
Reconciliation of Changes in Net Assets from Operations to Net Cash Provided by (Used in) Operating Activities:	
Changes in Net Assets from Operations	\$1,300,739
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation Expense	383,253
Cash Surrender Value of Life Insurance	(56,249)
Compensation Agreement Expense	65,368
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(75,893)
Souvenir and Equipment Inventory	10,184
Prepaid Rent Expenses	206,409
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	108,828
Accrued Expenses	(3,727)
Unearned Ticket Sales Revenue	78,400
Unearned Sponsorship Revenue	<u>(779,300)</u>
Total Adjustments	<u>(62,727)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$1,238,012</u></u>

See accompanying notes to the financial statements.

**Franklin County Stadium, Inc. dba Huntington Park  
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**Notes to the Combined Financial Statements  
For the Fiscal Year Ended December 31, 2017**

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**Note 1 – Summary of Significant Accounting Policies**

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Organization

Franklin County Stadium, Inc. (the “Ballpark”) and the Columbus Baseball Team, Inc. (the “Team”) were organized by Franklin County, Ohio (the “County”) as Ohio not-for-profit corporations in accordance with Section 1702.01 of the Ohio Revised Code to manage, operate and promote a professional baseball team and such other forms of entertainment that benefit the general welfare of the County. Both corporations are directed by the Franklin County Board of Parks and Recreation (the “Board”) and are component units of the County.

Principles of Combination

The accompanying combined financial statements of the Ballpark and the Team (doing business as “The Columbus Clippers” and collectively referred to as the “Organization”) include the results and balances of both entities. All significant inter-company accounts and transactions have been eliminated in combination.

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Management’s 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 may differ from those estimates.

Fund Accounting

The Organization’s accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. The operating fund of the Organization is a proprietary fund. It is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of operating the ballpark are financed through user charges.

Revenue Recognition and Unearned Revenue

Receipts from ticket sales are deferred and recognized as revenue in the period in which the games are played. Concessions, souvenirs, parking, and special events fees are recognized as revenues as the products and services are provided to the customers. Receipts from sponsorships and advertising are deferred and recognized as revenue ratably over the sponsorship periods, which range from one to twenty years.

Cash and Cash Equivalents

For purposes of the combined statement of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.





**Notes to the Combined Financial Statements  
For the Fiscal Year Ended December 31, 2017**

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Accounts Receivable

Accounts receivable are carried at original invoice amount, less an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts by evaluating individual customer receivables and considering a customer's financial condition and credit history along with current economic conditions. Receivables are written off when deemed uncollectable. Recoveries of receivables previously written off are recorded as income when received. Management has determined that all accounts are collectable and, accordingly, an allowance was not necessary as of December 31, 2017.

Investments in Marketable Securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value within the combined statements of financial position. Net realized and unrealized gains and losses are to be reported within the combined statements of activities as increases or decreases in unrestricted net position, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. The Organization pools all individual cash balances and investments in marketable securities for investment purposes.

The following securities are authorized under the Organization's investment policy:

- United States Treasury notes, bills, bonds, or other obligation or security issued by the Treasury, any other obligation guaranteed as to principal and interest by the U.S., or any book entry, zero-coupon security that is a direct obligation of the United States.
- Bonds, notes, debentures, or any other obligations or securities issued directly by any federal government agency or instrumentality.
- Money market mutual funds, provided that the investments are made only through eligible institutions.
- Common stocks in publicly traded companies in an equity account managed by certified and licensed professionals.

Fair Value Measurements

The Organization's categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this framework are described below:

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2            Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Franklin County Stadium, Inc. dba Huntington Park  
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**Notes to the Combined Financial Statements  
For the Fiscal Year Ended December 31, 2017**

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If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2017.

*Common Stocks, Corporate Bonds and U.S. Government Securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual Funds:* Valued at the net position value ("NPV") of shares held by the Organization at year end.

Souvenir and Equipment Inventory

Inventories are stated at the lower of cost (first-in, first-out basis) or market (determined as net realizable value). The cost of inventory is expensed at the time individual inventory items are consumed. For the year ended December 31, 2017, souvenirs expense included giveaways of \$61,511.

Prepaid Rent Expense

The terms of the operating lease agreement with the County require the Organization to pay, as additional rent, a substantial portion of Huntington Park's construction and debt service requirements. These payments vary over the course of the lease term and, accordingly, rent expense is recognized on a straight-line basis. All advanced rent payments made prior to expense recognition are recorded as prepaid rent expense.

Cash Surrender Value of Life Insurance Policies

The Organization is the owner and beneficiary of life insurance policies on the lives of certain key employees aggregating \$1,754,000 as of December 31, 2017. The policies had an aggregate cash surrender value of \$927,076 as of December 31, 2017.

Capital Assets

Capital asset purchases are carried at the original cost, less accumulated depreciation. Depreciation is computed on the straight-line basis using the following estimated useful lives:

Machinery and Equipment	3 - 10 years
Leasehold Improvements	5 - 20 years

Regular maintenance and repairs are expensed as incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. The Organization maintains a capitalization threshold of \$3,000. When capital assets are retired or otherwise disposed of, the assets and related allowances

**Franklin County Stadium, Inc. dba Huntington Park  
and Columbus Baseball Team, Inc. dba Columbus Clippers  
(A Component Unit of Franklin County)**



**Notes to the Combined Financial Statements  
For the Fiscal Year Ended December 31, 2017**

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for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the combined statement of revenues, expenses, and changes in net position.

Compensation Agreements

In connection with employment contracts between the Organization and certain key employees, provisions have been made for compensation agreements, which are payable upon retirement. Payments are made to the individuals or their survivors over a ten-year period commencing the first year of retirement. Compensation expense is recognized on a straight-line basis over the service period. Compensation expense related to those agreements was \$65,368, for the year ended December 31, 2017. Total compensation agreement liability based on terms of the employment contracts was \$903,972 as of December 31, 2017.

Net Position

Net position represents the difference between assets and liabilities on the combined statements of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used to build or acquire the capital assets. Net position is reported as restricted in the combined financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations. There was no restricted net position as of December 31, 2017.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs, net of reimbursements from sponsors, was \$196,753 for the year ended December 31, 2017.

Income Taxes

The Organization is a combined component unit of the County and is exempt from Federal income tax under Section 115 of the Internal Revenue Code. Accordingly, no income tax expense is recorded in the accompanying combined financial statements.

Generally accepted accounting principles require the Organization to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying combined financial statement of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the combined statement of revenues and expenses. The Organization believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for the years ended December 31, 2013 and prior.

**Franklin County Stadium, Inc. dba Huntington Park  
and Columbus Baseball Team, Inc. dba Columbus Clippers  
(A Component Unit of Franklin County)**



**Notes to the Combined Financial Statements  
For the Fiscal Year Ended December 31, 2017**

Subsequent Events

The Organization has evaluated subsequent events through the date of the “Independent Auditors Report,” the date on which the combined financial statements were available to be issued. There were no events requiring disclosure.

**Note 2 – Risks and Uncertainties**

Uninsured Risk – Cash Deposits

All monies are deposited into banks or investment companies designated by the governing board. Funds not needed for immediate expenditure may be deposited in interest bearing or non-interest bearing accounts, or U.S. government obligations. Security shall be furnished for all deposits, whether interest-bearing or non-interest bearing, except that no such security is required for U.S. government obligations.

The Organization maintains its cash and cash equivalent balances in financial institutions located in central Ohio. Deposits are insured by the Federal Deposit Insurance Corporate (“FDIC”) up to a coverage limit of \$250,000 through December 31, 2017. As of December 31, 2017, the Organization had deposits of \$23,046 that were not covered by FDIC insurance.

Market Risk – Investments in Marketable Securities

The combined financial statements include investments in equity securities, corporate bonds and mutual funds. The underlying investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the inherent level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the combined financial statements.

**Note 3 – Investments**

Investments consisted of the following as of December 31:

	2017		
	Fair Value	Percentage of Portfolio	Level
Equity Mutual Funds	\$1,157,051	40.50%	Level 1
Bond Mutual Funds	\$78,629	2.75%	Level 1
Preferred Stock	\$694,181	24.30%	Level 2
Cash Surrender Value of Life Insurance Policies	927,076	32.45%	N/A
<b>Total Investments</b>	<b>\$2,856,937</b>	<b>100.0%</b>	

Franklin County Stadium, Inc. dba Huntington Park  
 and Columbus Baseball Team, Inc. dba Columbus Clippers  
 (A Component Unit of Franklin County)



Notes to the Combined Financial Statements  
 For the Fiscal Year Ended December 31, 2017

**Note 4 – Capital Assets**

Capital assets consisted of the following as of December 31, 2017:

	Beginning of the Year	Additions	Disposals	End of the Year
<i>Non-Depreciable Capital Assets:</i>				
Construction in Progress	\$0	\$504,643	\$0	\$504,643
<i>Depreciable Capital Assets:</i>				
Machinery and Equipment	3,631,017	0	(106,800)	3,524,217
Leasehold Improvements	889,493	251,082	0	1,140,575
Capital Assets, at cost	4,520,510	755,725	(106,800)	5,169,435
Less: Accumulated Depreciation	(2,943,579)	(383,253)	61,079	(3,265,753)
Capital Assets, net	<u>\$1,576,931</u>	<u>\$372,472</u>	<u>(\$45,721)</u>	<u>\$1,903,682</u>

Depreciation expense was \$383,253 for the year ended December 31, 2017.

**Note 5 – Long-Term Liabilities**

Changes to Long-Term Liabilities during the year ended December 31, 2017 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensation Agreements	\$838,604	\$65,368	\$0	\$903,972	\$0
Capital Lease Obligations	186,079	0	(99,110)	86,969	86,969
Unearned Sponsorship Revenue	8,117,000	2,183,900	(2,963,200)	7,337,700	1,820,500
Total Long-Term Liabilities	<u>\$9,141,683</u>	<u>\$2,249,268</u>	<u>(\$3,062,310)</u>	<u>\$8,328,641</u>	<u>\$1,907,469</u>

**Note 6 – Lease Obligations**

Operating Lease

The Organization leases a ballpark (“Huntington Park”) from the County under an operating lease agreement expiring in December 2033. The terms of the agreement require the Organization to pay an annual rent of \$1 along with additional rent consisting of all expenses incurred in managing and operating the ballpark and a substantial portion of Huntington Park’s construction and debt service requirements. The Organization may renew the lease under similar terms upon 30 days written notice prior to the end of the lease term for two consecutive ten-year terms. Minimum annual rent payments vary between years as a result of the anticipated debt service payments. Accordingly, rent expense is recognized on a straight-line basis over the lease term.

Future rental payments for each of the next five years and in five year increments thereafter under the non-cancelable operating lease obligation as of December 31, 2017 are as follows:

**Franklin County Stadium, Inc. dba Huntington Park  
and Columbus Baseball Team, Inc. dba Columbus Clippers  
(A Component Unit of Franklin County)**



**Notes to the Combined Financial Statements  
For the Fiscal Year Ended December 31, 2017**

<u>Years Ended December 31,</u>	<u>Amount</u>
2018	\$2,071,430
2019	2,069,559
2020	2,072,862
2021	2,073,184
2022	2,071,024
2023-2027	10,643,690
2028-2032	10,529,781
	<u>\$31,531,530</u>

Total rent expense was \$4,140,015 for the year ended December 31, 2017.

Capital Leases

During 2014, the Organization purchased video equipment under a capital lease in the amount of \$413,043. Payments of \$9,879 are due monthly through September 2018. The following is a summary of equipment held under capital lease obligations as of December 31:

	<u>2017</u>
Equipment	\$413,043
Less:	
Accumulated Depreciation	(275,362)
	<u>\$137,681</u>

Minimum future lease payments under capital lease obligations as of December 31, 2017 for each year through expiration are as follows:

<u>Year</u>	<u>Amount</u>
2018	<u>\$88,912</u>
Less:	
Amount Representing Interest	<u>(1,943)</u>
Present Value of Minimum Future Lease Payments	<u>\$86,969</u>

**Note 7 – Concessions Contracts**

The Organization signed a concessions contract with Levy Premium Foodservice (“Levy”), effective January 31, 2014. This contract runs for five years, with an additional five-year option. Levy made an initial investment of \$750,000 and will make annual sponsorship payments of \$175,000, subject to termination provisions.

The agreement grants Levy the sole and exclusive right to prepare, present, sell, vend and dispense all refreshments within and about Huntington Park. The Organization receives a percentage of Levy’s concessions and catering revenue based on the terms of the agreement. Concessions revenue related to the agreement was \$2,445,712 for the year ended December 31, 2017.

**Franklin County Stadium, Inc. dba Huntington Park  
and Columbus Baseball Team, Inc. dba Columbus Clippers  
(A Component Unit of Franklin County)**



**Notes to the Combined Financial Statements  
For the Fiscal Year Ended December 31, 2017**

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**Note 8 – Player Development Contracts/Baseball Agreement**

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On October 1, 2004, the National Association of Professional Baseball leagues (the “Minor Leagues”) signed an agreement (the “Baseball Agreement”) with the National League of Professional Baseball Clubs and the American League of Professional Baseball Clubs (collectively the “Major Leagues”), which was originally set to expire in September 2014, subject to modification by either party after September 30<sup>th</sup> of each season. On December 16, 2010, the Baseball Agreement was extended by both parties through September 2020. The terms of the Baseball Agreement modified the Team’s player development contract with the Major Leagues. Under the terms of the Baseball Agreement, the Minor League Club is responsible for the players’ hotel and travel costs, uniform and equipment costs and other partial costs as designated in the contract.

The Baseball Agreement requires payment from the Minor Leagues to the Major Leagues for maintenance of the player development contracts, in an amount equal to a percentage of the Minor League’s Clubs’ net championship season ticket revenue.

The Organization has extended their player development contract with the Cleveland Indians through September 2020.

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**INDEPENDENT AUDITOR'S 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***

Board of Trustees  
Franklin County Stadium, Inc. dba Huntington Park and  
Columbus Baseball Team, Inc. dba Columbus Clippers

We have audited, in accordance with the 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, the combined statement of financial position of Franklin County Stadium, Inc. dba Huntington Park and Columbus Baseball Team, Inc. dba Columbus Clippers (collectively referred to as the "Organization"), a component unit of Franklin County, Ohio, as of December 31, 2017, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated April 5, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Columbus, Ohio

April 5, 2018



# Dave Yost • Auditor of State

**COLUMBUS BASEBALL TEAM, INC.**

**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  
MAY 10, 2018**