

**CONVENTION FACILITIES AUTHORITY
FOR HAMILTON COUNTY, OHIO**

Basic Financial Statements

Year Ended December 31, 2005

With

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Directors
Hamilton County Convention Facilities Authority
City Hall, Room 246
801 Plum Street
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditors' Report* of the Hamilton County Convention Facilities Authority, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005 through December 31, 2005. 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 Hamilton County Convention Facilities Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 16, 2006

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**CONVENTION FACILITIES AUTHORITY
FOR HAMILTON COUNTY, OHIO**

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Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Convention Facilities Authority
for Hamilton County, Ohio:

We have audited the accompanying basic financial statements of the Convention Facilities Authority for Hamilton County, Ohio (the "CFA"), a component unit of Hamilton County, Ohio as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the CFA's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Convention Facilities Authority for Hamilton County, Ohio as of December 31, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, the CFA adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk* as of January 1, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2006, on our consideration of the CFA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 - 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
June 21, 2006

CONVENTION FACILITIES AUTHORITY FOR HAMILTON COUNTY, OHIO
Management's Discussion and Analysis
(Unaudited)

Overview

The Management's Discussion and Analysis section is designed to supplement the readers understanding of the financial statements by providing analytical, economical and factual information pertaining to the current and prior year financial activities of the entity.

The Convention Facilities Authority for Hamilton County, Ohio (CFA) is an up to 11-member body corporate and politic, organized and existing under Chapter 351 of the Ohio Revised Code, as amended. The CFA issued bonds netting proceeds of \$111,176,644 dated March 2, 2004 for the purpose of expanding and renovating the Cinergy Convention Center (Cinergy Center) in Cincinnati.

Financial Highlights

The CFA's total net assets decreased by \$36 million. This is due to the continued construction progress and the payment of the construction costs from bond proceeds.

Operating revenue for the CFA decreased by \$6.2 million. In 2004, a one-time transfer of \$7.2 million was made to the Trustee for the CFA. This transfer consisted of funds collected for the renovation and expansion of the Cincinnati Convention Center and held by the City of Cincinnati until the completion of the bond sale. Corporate contributions and naming rights revenue in 2005 was \$6.3 million more than 2004. Hotel taxes collected in 2005 were \$230,000 more than those collected in 2004. In 2005, Hamilton County began making its annual contribution of \$250,000.

Operating expenses for the CFA decreased by \$8.7 million in 2005. A one-time ground lease of \$15.5 million was made in 2004. Projects costs incurred in 2005 were \$6.8 million higher than 2004.

Financial Statements

The financial statements of the CFA report information about the CFA using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the CFA's overall financial status.

The following statements are included in this report:

The Statement of Net Assets reports the CFA's assets, liabilities and available resources. Capital assets related to the Cinergy Center are reported as part of the City of Cincinnati, Ohio (City) Financial Statements.

The Statement of Revenues, Expenditures and Changes in Net Assets reports all financial receipts and disbursements made through the CFA.

The Statement of Cash Flows is designed to report the sources and uses of cash for the reporting entity.

Notes to the Financial Statements provide the reader with additional details about the amounts reported on the financial statements and the accounting policies used in preparation of the statements.

Financial Analysis

Statement of Net Assets

Summary Statement of Net Assets (Amounts In Thousands)

	2005	2004
Current and other assets	\$ 50,608	\$ 80,526
Long-term liabilities	106,378	108,011
Other liabilities	<u>13,808</u>	<u>11,276</u>
Total liabilities	120,186	119,287
Net Assets:		
Restricted	25,056	63,303
Unrestricted	<u>(93,978)</u>	<u>(102,064)</u>
Total Net Assets	<u>\$ (68,922)</u>	<u>\$ (38,761)</u>

Long-term liabilities for 2005 were \$106.4 million consisting of \$102 million of outstanding debt and \$4.4 million of unamortized bond premiums, compared to \$108.0 million in 2004. Total debt payments in 2005 were \$1 million in principal and \$4.8 million in interest. The debt will be repaid from specifically identified Hotel Tax revenues collected by both Hamilton County, Ohio (County) and the City and annual contributions from both the County and the City.

Statement of Revenues, Expenses and Changes in Net Assets

**Summary of Revenues, Expenses and
Changes in Net Assets
(Amounts In Thousands)**

	2005	2004
Operating Revenues	\$ 18,937	\$ 19,316
Non-operating Revenues	<u>2,979</u>	<u>800</u>
Total Revenues	21,916	20,116
Operating Expenses	46,142	54,867
Non-operating Expenses	<u>5,935</u>	<u>4,010</u>
	<u>52,077</u>	<u>58,877</u>
Change in Net Assets	(30,161)	(38,761)
Net Assets, January 1	<u>(38,761)</u>	<u>0</u>
Net Assets, December 31	<u>\$(68,922)</u>	<u>\$(38,761)</u>

Operating revenues include the following items pledged to support expenses for both debt service and project costs as part of the renovation and expansion of the Cinergy Center:

- Hotel Taxes
 - o County 3 ½%
 - o City 2002 1 ½ %
 - o City 1%
- Corporate Contributions
- Annual Contributions
 - o City \$1.0 million beginning in 2004
 - o County \$250,000 beginning in 2005
- Naming Rights

Budgetary Highlights

Per the Cooperative Agreement among the CFA, County and City during the construction period or so long as any Junior Subordinated Bonds have been issued and remain unpaid, the costs associated with the operation of the CFA (i.e. annual audit, insurance, etc.) are the responsibility of the City. The CFA has no employees. The completion date for the renovation and expansion is mid-2006. Currently, no Junior Subordinated Bonds have been issued.

Upon completion of the renovation and expansion, the cost of operations for the CFA will be paid from a portion of the City's 1% Hotel Tax and shall not exceed 10% of the 1% Hotel Tax.

Debt Administration

The CFA is financing the renovation and expansion of the Cinergy Center primarily through the issuance of revenue bonds.

The CFA's revenue bond ratings are:

	1 st Lien	2 nd Lien
Moody's Investors Services	Aaa	Aaa
Standard & Poor's Rating Services	AAA	AAA

Economic Factors

The Cinergy Center contributes to the economic growth and stability of Cincinnati by providing a facility to host international, national and regional convention and trade shows, as well as public expositions and meetings. The existing facility has 162,000 square feet of exhibit space and 82,000 square feet of meeting/ballroom space. With the completion of the expansion in 2006, the Cinergy Center will have 198,000 square feet of exhibit space and 103,000 square feet of meeting/ballroom space.

CONVENTION FACILITY AUTHORITY OF HAMILTON COUNTY, OHIO

Statement of Net Assets

December 31, 2005

(Amounts In Thousands)

Assets

Current assets:

Cash and cash equivalents	\$ 31,452
Receivables:	
Accounts	5,810
Accrued interest	177
Accrued transit occupancy tax	1,759
Prepaid bond insurance	1,369
Investments	10,041
Total current assets	<u>50,608</u>

Other:

Costs of issuance	656
Total other assets	<u>656</u>

Total assets 51,264

Liabilities

Current liabilities:

Due to other governments	11,822
Accrued interest payable	396
Bonds payable - current	1,590
Total current liabilities	<u>13,808</u>

Noncurrent liabilities:

Bonds payable (net of unamortized premium)	106,378
Total noncurrent liabilities	<u>106,378</u>

Total liabilities 120,186

Net assets

Restricted for project costs	25,056
Unrestricted	<u>(93,978)</u>

Total net assets \$ (68,922)

The accompanying notes to the financial statements are an integral part of this statement.

CONVENTION FACILITY AUTHORITY OF HAMILTON COUNTY, OHIO

Statement of Revenue, Expenses, and Changes in Net Assets

For the Year Ended December 31, 2005

(Amounts in Thousands)

Operating revenues

Annual contribution - City	\$ 1,000
Annual contribution - County	250
Corporate contributions	3,520
Naming rights	7,000
Hotel taxes - City	1,891
Hotel taxes - County	5,276
Total operating revenues	<u>18,937</u>

Operating expenses

Project costs	46,116
Trustee fees	26
Total operating expenses	<u>46,142</u>
Operating (loss)	<u>(27,205)</u>

Non-operating revenues (expenses)

Interest expense	(4,769)
Bond insurance expense	(13)
Amortization expense	(6)
Net increase in fair value of investments	974
Interest revenue	2,005
Loss on sale of investments	(1,147)
Total non-operating revenues (expenses)	<u>(2,956)</u>

Change in net assets (30,161)

Total net assets - beginning (38,761)

Total net assets - ending \$ (68,922)

The accompanying notes to the financial statements are an integral part of this statement.

CONVENTION FACILITY AUTHORITY OF HAMILTON COUNTY, OHIO

Statement of Cash Flows

For the Year Ended December 31, 2005

(Amounts in Thousands)

Cash flows from operating activities

Received from other governments	\$ 8,412
Received for naming rights	3,000
Received from contributions	1,710
Payments to other governments	(44,152)
Payments for trustee fees	(7)
Net cash used by operating activities	<u>(31,037)</u>

Cash flows from noncapital financing activities

Interest paid on bonds	(4,771)
Principal paid on bonds	(1,020)
Net cash used by noncapital financing activities	<u>(5,791)</u>

Cash flows from investing activities

Purchase of investments	(60,630)
Sale of investments	107,624
Loss on sale of investments	(1,147)
Interest and dividends on investments	2,196
Net cash provided by investing activities	<u>48,043</u>
Net increase in cash and cash equivalents	11,215
Cash and cash equivalents at beginning of year	20,237
Cash and cash equivalents at end of year	<u>\$ 31,452</u>

Cash flows from operating activities

Net Operating (Loss)	\$ (27,205)
Adjustments to Reconcile Net Operating (Loss) to	
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(5,810)
(Increase) in Transit Occupancy Tax Receivable	(5)
Decrease in Receivable from Paying Agent	19
Increase in Due to Other Governments	1,964
Net Cash Used by Operating Activities	<u>\$ (31,037)</u>

Schedule of Noncash Investing, Capital and Financing Activities

Increase in Fair Value of Investments	<u>\$ 974</u>
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The accompanying notes to the financial statements are an integral part of this statement.

CONVENTION FACILITIES AUTHORITY FOR HAMILTON COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2005

1. Reporting Entity

The Convention Facilities Authority for Hamilton County, Ohio (CFA) is an up to 11-member body corporate and politic, organized and existing under Chapter 351 of the Ohio Revised Code, as amended. It is controlled by Hamilton County who may appoint 6 members. The City of Cincinnati may appoint 3 members and the remaining two members are from other municipalities. Each member may serve a 4-year term and may not serve more than 3 consecutive terms. CFA was created in 2002 for the purpose of financing the Cincinnati Convention Center renovation and expansion, now known as the Cinergy Center. No financial activity took place until the revenue bonds were sold in 2004.

2. Summary of Significant Accounting Policies

The financial statements of the CFA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

a. Basis of Presentation

The CFA's financial statements consist of a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

b. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the CFA finances and meets the cash flow needs of its enterprise activities.

c. Enterprise Fund Activity Accounting and Financial Reporting

In accordance with GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government, the CFA applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board of Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The CFA has elected not to apply FASB Statements and interpretations issued after November 30, 1989.

d. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The CFA’s financial statements are prepared using the accrual basis of accounting.

Non-exchange transactions, in which the CFA receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the CFA must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the CFA on a reimbursement basis.

Expenses are recognized at the time they are incurred.

e. Cash and Cash Equivalents

All monies received by the CFA are accounted for by the CFA’s fiscal agent, the City of Cincinnati, or the trustee. All cash received by the fiscal agent or the trustee is maintained in separate accounts in the CFA’s name. For purposes of the Statement of Cash Flows and presentation on the Statement of Net Assets, investments with original maturities of three months or less at the time they are purchased by the CFA, are considered to be cash equivalents.

f. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted within there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The CFA applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

g. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity. For the CFA, these revenues are the contributions received for the financing of the Convention Facility and the hotel taxes for the repayment of the debt of the Convention Facility. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the CFA. Revenues and expenses not meeting this definition are reported as non-operating.

h. Investments

Investments are valued at fair value as stated in December 31, 2005 market reports. Eligible investments are defined in the Trust Agreement by and between the CFA, and J.P. Morgan Trust Company, National Association (Trustee) dated as of February 1, 2004.

i. Receivables and Payables

Hotel Occupancy tax is remitted to the CFA quarterly from the County and the City. Due to other governments represents project costs due to the City. Project cost reimbursements to the City, by the CFA, are made on a monthly basis.

j. Amortization of Bond Issuance Costs

The bond issuance costs are being amortized over the life of the bond in the same proportion as the annual principal payment to total outstanding principal.

m. 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.

3. Change in Accounting Principle

For fiscal year 2005, the CFA has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have a significant effect on the financial statements of the CFA. Refer to Note 4 for additional documentation concerning GASB Statement No. 40.

4. Deposits and Investments

Deposits – At December 31, 2005 the carrying amount of CFA deposits held by the trustee total \$31,452,000 and the bank balance was \$31,452,000. These were held in custodial accounts at J. P. Morgan and Co. and are not collateralized.

Investments – The Trustee for the CFA holds the following investments at December 31, 2005.

(Amounts in thousands)

Investment Type	Cost	Market Value	Interest Rate	Maturity Date	Credit Ratings	
					S&P	Moody
FNMA	\$ 1,877	1,870	2.000%	1/15/06	AAA	Aaa
FHLB	3,206	3,190	2.000%	2/13/06	AAA	Not Rated
FHLB	2,771	2,728	2.500%	3/15/06	AAA	Aaa
FNMA	<u>2,275</u>	<u>2,253</u>	2.125%	4/15/06	AAA	Aaa
	<u>\$ 10,129</u>	<u>10,141</u>				

The CFA's investment policy is limited by the Cooperative Agreement with the City and the County. The eligible investments include obligations guaranteed as to principal and interest by the United States or by an agency or instrumentality of the federal government or a no-load money market fund, which consists of these obligations. The CFA may also invest in time certificates of deposits of eligible institutions, bonds and other obligations of the State, City, or political subdivision of the State, Ohio subdivision's fund, and certain written repurchase agreements.

The CFA does not have a written credit risk policy, concentration of credit risk policy, investment rate risk policy, or foreign currency risk policy.

5. Long-term Debt

The CFA issued 30-year improvement bonds for the City of Cincinnati Convention Center Expansion (Cinergy Center) of \$106,005,000 dated March 2, 2004.

The First Lien Improvement Bonds in the amount of \$70,065,000 were issued at interest rates between 2.0 – 5.0 % and yields between 1.05 – 4.44%. They are payable semiannually on June 1 and December 1 through 2033, with the first payment due beginning December 1, 2004.

The Second Lien Improvement Bonds in the amount of \$35,940,000 were issued at interest rates ranging from 2.0% to 5.25% and yields from 1.05% to 4.44%. Bond are payable semiannually on June 1 and December 1 through 2033, with the first payment on December 31, 2004.

(Amounts in Thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds payable	\$104,615	\$ 0	\$1,020	\$103,595
Plus deferred Premium	<u>4,416</u>	<u>0</u>	<u>43</u>	<u>4,373</u>
Total long-term Liabilities	<u>\$109,031</u>	<u>\$ 0</u>	<u>\$1,063</u>	<u>\$107,968</u>

The amount due within one year on the bonds payable is \$1,590,000.

The annual debt service requirements to maturity for the revenue bonds are as follows:

First Lien Improvement Bonds			
Amounts in thousands			
Year Ending	Principal	Interest	Total Amount
2006	1,360	3,194	4,554
2007	1,385	3,167	4,552
2008	1,415	3,139	4,554
2009	1,450	3,104	4,554
2010	1,490	3,064	4,554
2011 – 2015	8,245	14,515	22,760
2016 – 2020	10,450	12,307	22,757
2021 – 2025	13,340	9,420	22,760
2026 – 2030	17,020	5,735	22,755
2031 – 2033	<u>12,395</u>	<u>1,259</u>	<u>13,654</u>
Total	<u>\$68,550</u>	<u>\$58,904</u>	<u>\$127,454</u>

Second Lien Improvement Bonds			
Amounts in thousands			
Year	Principal	Interest	Total Amount
2006	230	1,557	1,787
2007	755	1,552	2,307
2008	770	1,537	2,307
2009	785	1,518	2,303
2010	810	1,496	2,306
2011 – 2015	4,410	7,113	11,523
2016 – 2020	5,390	6,146	11,536
2021 – 2025	6,920	4,607	11,527
2026 – 2030	8,695	2,836	11,531
2031 – 2033	<u>6,280</u>	<u>638</u>	<u>6,918</u>
Total	<u>\$35,045</u>	<u>\$29,000</u>	<u>\$64,045</u>

The Revenues pledged to the Trustee to support the debt include the following: The County Hotel Tax of 3.5 %, the City 2002 1.5% Hotel Tax, the City 1% Hotel Tax, the County Annual Contribution of \$250,000 beginning in 2005 and the City Annual Contribution of \$1,000,000 beginning in 2004.

6. Agreements / Leases

Pursuant to a Memorandum of Understanding between the City and the County, dated September 30, 2002, a Cooperative Agreement between the City and the County, dated, February 9, 2004 (the “Cooperative Agreement”), and a Project Service Agreement between the City and the Authority dated February 3, 2004, the City and the County have agreed, among other things, that the City will (i) own the Cinergy Center, (ii) be responsible for the operation and maintenance of the Cinergy Center and (iii) manage the design and construction of the Project. Construction of the Improvements began in May 2004 and is anticipated to be completed in mid-2006.

The CFA entered into a lease with the City of Cincinnati for the existing and expanded Cinergy Convention Center Facility for the term of the improvement bonds, issued through December 2033, for an amount sufficient to retire City Bond Anticipation Notes, of \$15.5 million. These notes were issued in anticipation of the revenue bond sale by the CFA. At the end of the lease, the City of Cincinnati will own the existing and expanded Cinergy Convention Center Facilities.

In addition, the City and CFA have entered into a lease whereby the City will operate the existing and expanded Cinergy Convention Center Facilities for the term of the improvement bonds through December 2033.



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 Directors of the Convention Facilities
Authority for Hamilton County, Ohio:

We have audited the financial statements of the Convention Facilities Authority for Hamilton County, Ohio (the "CFA"), a component unit of Hamilton County, Ohio as of and for the year ended December 31, 2005, which comprises the CFA's basic financial statements and have issued our report thereon dated June 21, 2006 wherein we noted that the CFA implemented Governmental Accounting Standards Board Statement No. 40. 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 CFA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance And Other Matters

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

We noted certain matters that we reported to management of the CFA in a separate letter dated June 21, 2006.

This report is intended for the information and use of the Board of Directors, management, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
June 21, 2006



**Auditor of State
Betty Montgomery**

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HAMILTON COUNTY CONVENTION FACILITIES AUTHORITY

HAMILTON 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
AUGUST 29, 2006**