



CONVENTION FACILITIES AUTHORITY FOR HAMILTON COUNTY, OHIO

Basic Financial Statements

Year Ended December 31, 2012

With Independent Auditors' Report



Dave Yost • Auditor of State

Board of Directors
Convention Facilities Authority for Hamilton County
801 Plum Street
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditors' Report* of the Convention Facilities Authority for Hamilton County, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2012 through December 31, 2012. 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 Convention Facilities Authority for Hamilton County is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

September 5, 2013

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TABLE OF CONTENTS

Independent Auditors' Report	1 – 2
Basic Financial Statements:	
Management's Discussion and Analysis.....	3 – 6
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows.....	9
Notes to the Financial Statements	11 – 18
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 – 20

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Convention Facilities Authority for Hamilton County, Ohio (the "Authority"), component unit of Hamilton County, Ohio, which comprise the statement of net position as of December 31, 2012, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the 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.

Auditors' 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 auditors' 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.

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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, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note 2, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 June 25, 2013 on our consideration of the Authority's internal control over financial reporting and on 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 Authority's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 25, 2013

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 years' 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 (Duke Energy Center) in Cincinnati. This years MD&A will focus on the eighth year of operations for the CFA.

Financial Highlights

The CFA's total net position increased by \$2.5 million. This is due to payment of the debt and an increase in Hotel taxes from the City of Cincinnati (City) and Hamilton County (County).

Operating Revenue for the CFA increased by \$377 thousand. Upon completion of the project, each year the remaining funds in the distribution account on February 28th after the payment of the prior year's debt service will be returned to the City and the County on a pro-rata share before March 31st. The sources of funds in this account are the City and County annual contribution and Hotel Tax collections. The amounts returned from the 2011 receipts were \$2.5 million to the County and \$820 thousand to the City. The 2012 distribution will be approximately \$2.8 million to the County and \$899 thousand to the City.

Operating expenses remained consistent in 2012, however there was a restatement of net position of \$530 thousand due to the implementation of GASB 65 which requires bond issuance costs to be expensed on the date bonds are issued as opposed to deferring the costs and recognizing over the life of the bonds.

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 Position reports the CFA's assets, deferred outflows of resources, liabilities and available resources. Capital assets related to the Duke Energy Center are reported as part of the City of Cincinnati, Ohio (City) Financial Statements.

The Statement of Revenues, Expenses and Changes in Net Position reports all financial revenues and expenses 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 Position

Summary Statement of Net Position (Amounts In Thousands)

	2012	Restated 2011
Current and Other Assets	\$ 8,756	\$ 8,411
Deferred Outflows of Resources	248	255
Long-term liabilities	77,933	80,539
Other liabilities	<u>6,516</u>	<u>6,055</u>
Total liabilities	84,449	86,594
Net Position:		
Unrestricted	<u>(75,445)</u>	<u>(77,928)</u>
Total Net Position	<u>\$ (75,445)</u>	<u>\$ (77,928)</u>

Long-term liabilities for 2012 were \$78 million consisting of \$74.6 million of outstanding debt and \$3.4 million of unamortized bond premiums, compared to \$80.5 million in 2011. Total debt payments in 2012 were \$2.4 million in principal and \$3.9 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 Position

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

	2012	Restated 2011
Operating Revenues	\$ 9,978	\$ 9,601
Non-operating Revenues	<u>91</u>	<u>88</u>
Total Revenues	10,069	9,689
Operating Expenses	3,685	3,381
Non-operating Expenses	<u>3,901</u>	<u>3,963</u>
	<u>7,586</u>	<u>7,344</u>
Change in Net Position	2,483	2,345
Net Position, January 1	<u>(77,928)</u>	(79,729)
Restatement of Net Position		<u>(544)</u>
Restated Net Position, January 1	<u>(77,928)</u>	<u>(80,273)</u>
Net Position, December 31	<u>\$(75,445)</u>	<u>\$(77,928)</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 Duke Energy 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
- State Grants

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.) were the responsibility of the City. Upon completion of the project (June 2006) the cost of operations for the CFA is paid from a portion of the City's 1% Hotel Tax and shall not exceed 10% of the 1% Hotel Tax. In 2006 the Junior Subordinate Bond commitment was released.

Debt Administration

The CFA financed the renovation and expansion of the Duke Energy 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	A2	Aa3
Standard & Poor's Rating Services	A+	AA

Economic Factors

The Duke Energy 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 old facility had 162,000 square feet of exhibit space and 82,000 square feet of meeting/ballroom space. With the expansion in 2006, the Cinergy Center now has 198,000 square feet of exhibit space and 103,000 square feet of meeting/ballroom space.

CONVENTION FACILITIES AUTHORITY FOR HAMILTON COUNTY, OHIO

Statement of Net Position

December 31, 2012

(Amount In Thousands)

Assets

Current assets:

Cash and cash equivalents \$ 5,440

Receivables:

Accrued transit occupancy tax 2,148

Total current assets 7,588

Other assets:

Prepaid bond insurance 1,168

Total other assets 1,168

Total assets 8,756

Deferred Outflows of Resources

Loss on Defeasance 248

Liabilities

Current liabilities:

Due to other governments 3,686

Accrued interest payable 315

Bonds payable – current 2,515

Total current liabilities 6,516

Noncurrent liabilities:

Bonds payable (net of unamortized premium) 77,933

Total noncurrent liabilities 77,933

Total liabilities 84,449

Net Position

Unrestricted (75,445)

Total net position \$ (75,445)

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

CONVENTION FACILITIES AUTHORITY FOR HAMILTON COUNTY, OHIO

Statement of Revenue, Expenses, and Changes in Net Position For the Year Ended December 31, 2012

(Amounts In Thousands)

Operating revenues:

Annual contribution – City	\$	1,000
Annual contribution – County		250
Hotel taxes – City		2,274
Hotel taxes – County		6,454
Total operating revenues		<u>9,978</u>

Operating expenses:

Return of Residual Funds to City and County		<u>3,685</u>
Total operating expenses		<u>3,685</u>
Operating Income		<u>6,293</u>

Non-operating revenues (expenses):

Interest expense		(3,862)
Amortization expense		(39)
Interest revenue		91
Total non-operating revenues (expenses)		<u>(3,810)</u>
Change in net position		2,483

Total net position – beginning		(77,398)
Restatement of Net Position		(530)
Restate Net Position - beginning		<u>(77,928)</u>
Total net position – ending	\$	<u><u>(75,445)</u></u>

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

CONVENTION FACILITIES AUTHORITY FOR HAMILTON COUNTY, OHIO

Statement of Cash Flows
For the Year Ended December 31, 2012

(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Received from other governments	\$ 8,563
Received from contributions	1,250
Payments to other governments	<u>(3,311)</u>
Net cash provided by operating activities	6,502

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Interest paid on bonds	(3,870)
Principal paid on bonds	<u>(2,420)</u>
Net Cash (Used) by Capital Financing Activities	(6,290)

Net Increase in Cash and Cash Equivalents	212
Cash and cash equivalents at beginning of year	<u>5,228</u>
Cash and cash equivalents at end of year	<u>\$ 5,440</u>

Cash flow From Operating Activities:

Net Operating Income	\$ 6,293
Adjustments to Reconcile Net Operating Income to Changes in Assets and Liabilities:	
(Increase) in Transit Occupancy Tax Receivable	(165)
Increase in Due to Other Governments	374
Net Cash Provided by Operating Activities	<u>\$ 6,502</u>

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

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Convention Facilities Authority for Hamilton County, Ohio
Notes to the Financial Statements
For the Fiscal Year Ended December 31, 2012

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. The CFA was created in 2002 for the purpose of financing the Cincinnati Convention Center renovation and expansion, now known as the Duke Energy Center. No financial activity took place until the revenue bonds were sold in 2004.

a. Component Unit

The Convention Facilities Authority (CFA) is a component unit of Hamilton County, Ohio. The financial report of the CFA is included in the Hamilton County of Ohio financial reports. The CFA is controlled by Hamilton County, Ohio, who appoints the majority of its board members (6 out of 11).

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 position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

b. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, and all liabilities 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 net total position. The statement of cash flows provides information about how the CFA finances and meets the cash flow needs of its enterprise activities.

c. 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.

d. 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 Position, investments with original maturities of three months or less at the time they are purchased by the CFA, are considered to be cash equivalents.

e. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows and outflows. Net position is reported as restricted when there are limitations imposed on its 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 position are available.

f. 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. Receivables and Payables

Hotel Occupancy tax is remitted to the CFA quarterly from the County and the City. Due to other governments represents the Return of Residual Funds.

i. Bond Premiums, Prepaid Insurance and Loss on Defeasance

The bond premiums, prepaid bond insurance, and loss on defeasance are being amortized over the life of the bond in the same proportion as the annual principal payment to total outstanding principal. Bond premiums offset the outstanding bonds payable. Loss on defeasance is reported as deferred outflows.

j. Deferred Outflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

k. 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.

l. Pronouncements Effective for the 2012 Financial Statements

The Authority adopted GASB. Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, required for the periods beginning after December 15, 2011. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain FASB and AICPA pronouncements issued prior to

November 30, 1989, which does not conflict with or contradict GASB pronouncements.

For fiscal year 2012, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Governmental Accounting Standards Board (GASB) Statement 65, *Items Previously Reported as Assets and Liabilities* was issued in March 2012. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and are included in this report. The objective of this Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

3. Deposits and Investments

Deposits – At December 31, 2012 the carrying amount of CFA deposits held by the trustee total \$5,440,000 and the bank balance was \$5,440,000. The accounts are held in custodial accounts at The Bank of New York Mellon and are not collateralized.

Investments – The Trustee for the CFA holds no investments as of December 31, 2012.

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.

4. Long-term Debt

The CFA issued 30-year improvement bonds for the City of Cincinnati Convention Center Expansion (Duke Energy 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 the first payment was due 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 2028 the first payment was due December 31, 2004. A portion of this debt was defeased in August, 2007 and the remaining debt at December 31, 2012 is \$18,760,000 principal and \$8,080,000 interest.

(Amounts in Thousands)					
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$79,535	\$ 0	\$2,420	\$ 77,115	\$2,515
Plus unamortized					
Premium	<u>3,424</u>	<u>0</u>	<u>91</u>	<u>3,333</u>	<u>0</u>
Total long-term					
Liabilities	<u>\$82,959</u>	<u>\$ 0</u>	<u>\$2,511</u>	<u>\$80,448</u>	<u>\$ 2,515</u>

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
2013	1,635	\$ 2,918	\$ 4,553
2014	1,715	2,836	4,551
2015	1,800	2,750	4,550
2016	1,890	2,660	4,550
2017	1,985	2,566	4,551
2018-2022	11,525	11,237	22,762
2023-2027	14,705	8,052	22,757
2028-2032	18,765	3,990	22,755
2033	4,335	217	4,552
Total	<u>\$ 58,355</u>	<u>\$ 37,226</u>	<u>\$ 95,581</u>

Second Lien Improvement Bonds
Amounts in Thousands

Year Ending	Principal	Interest	Total Amount
2013	\$ 880	\$ 859	\$ 1,739
2014	910	831	1,741
2015	940	799	1,739
2016	975	766	1,741
2017	1,025	717	1,742
2018-2022	5,945	2,755	8,700
2023-2027	6,350	1,279	7,629
2028	1,735	74	1,809
Total	\$ 18,760	\$ 8,080	\$ 26,840

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.

Defeased Bonds

Below is a description of the CFA's Defeased Bonds and the outstanding balance at December 31, 2012.

Description Of Bonds	Date Originally Issued	Original Par Amount	Redemption Call Date	Date Defeased	Maturities Defeased	Interest Rate Defeased bonds %	Amount Defeased	Outstanding 12/31/12
Second Lien defeasance	8/30/2007	\$ 11,915	6/1/2014	8/30/07	2024-2033	3.72-4.44	\$ 11,255	\$ 11,255

5. 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 Duke Energy Center, (ii) be responsible for the operation and maintenance of the Duke Energy Center and (iii) manage the design and construction of the Project.

Construction of the Improvements began in May 2004 and was completed in June 2006.

The CFA entered into a lease with the City of Cincinnati for the existing and expanded Duke Energy 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 Duke Energy Convention Center Facilities.

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

6. Restatement of Net Position

The CFA implemented GASB 65 which defined debt issuance costs as period costs to be expensed as incurred. The CFA's adjustment to Net Position was \$530,000 reflects the amount of bond issuance costs being amortized prior to this change.

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

INDEPENDENT AUDITORS' REPORT

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

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 financial statements of the Convention Facilities Authority for Hamilton County, Ohio (the "Authority") a component unit of Hamilton County, Ohio which comprise the statement of net position as of December 31, 2012, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2013, wherein we noted the Authority implemented GASB Statements No. 62, 63 and No. 65.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 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.

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Compliance and Other Matters

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

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 result of that testing, and not to provide an opinion on the effectiveness of the Authority'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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 25, 2013

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Dave Yost • Auditor of State

CONVENTION FACILITIES AUTHORITY FOR HAMILTON COUNTY

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
SEPTEMBER 19, 2013**