

**CLEVELAND-CUYAHOGA COUNTY CONVENTION
CENTER FACILITIES AUTHORITY**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Cleveland-Cuyahoga County Convention Facilities Authority
1350 Euclid Avenue, Suite 800
Cleveland, Ohio 44115

We have reviewed the *Independent Auditors' Report* of the Cleveland-Cuyahoga County Convention Facilities Authority, prepared by Barnes Wendling CPAs, for the audit period May 4, 2004 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 Cleveland-Cuyahoga 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 28, 2006

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CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY

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INDEPENDENT AUDITORS' REPORT

June 5, 2006

To the Appointed Members
Cleveland-Cuyahoga County Convention Facilities Authority
Cleveland, Ohio

We have audited the accompanying statements of net assets of the Cleveland-Cuyahoga County Convention Facilities Authority as of December 31, 2005 and 2004 and the related statements of revenue, expenses, and changes in net assets and cash flows for the year ending December 31, 2005 and the period from inception (May 4, 2004) to December 31, 2004. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Cleveland-Cuyahoga County Convention Facilities Authority as of December 31, 2005 and 2004, and the changes in net assets and cash flows for the year ending December 31, 2005 and the period from inception (May 4, 2004) to December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 5, 2006, on our consideration of the Cleveland-Cuyahoga County Convention Facilities Authority'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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis information on Pages 2 through 6 is not a required part of the financial statements but is supplemental information required by Government Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally on 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.

Barnes Wendling CPAs, Inc.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Cleveland-Cuyahoga County Convention Center Facilities Authority ("Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2005, and for the period from inception (May 4, 2004) to December 31, 2004. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- At December 31, 2005, the Authority has net assets of \$61,469. These net assets result from the difference between total assets of \$82,409 and total liabilities of \$20,940.
- Assets, which are all current, consist of cash of \$63,475 and prepaid expenses of \$18,934.
- Liabilities, all current, consist of accounts payable of \$20,940.

Basic Financial Statements and Presentation

New Accounting Pronouncements

The Authority complies with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Disclosures." These statements change the Authority's presentation of net assets and change the note disclosure and require the inclusion of management's discussion and analysis.

The financial statements presented by the Authority are the Statements of Financial Position, the Statements of Activities and Changes in Net Assets, and the Statements of Cash Flows. These statements are presented using the accrual basis of accounting. As such, revenues are recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid.

The Statements of Financial Position present information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net assets, which indicate improved financial position.

The Statements of Activities and Changes in Net Assets present information showing how the Authority's net assets changed during the year. This statement summarizes operating revenues and expenses. The information reflected for 2004 represents activities conducted for only a portion of a year. As such revenues and expenses during 2005, which reflects a full year of operation, are greater than 2004.

The Statements of Cash Flows allows financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities. During the reporting period, the Authority had no cash flows from non-capital financing activities, capital and related financing activities or investing activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Condensed Summary of Net Assets

	<u>2005</u>	<u>2004</u>
Current assets	\$ 82,409	\$ 142,416
Total assets	<u>\$ 82,409</u>	<u>\$ 142,416</u>
Current liabilities	\$ 20,940	\$ 42,254
Total liabilities	<u>\$ 20,940</u>	<u>\$ 42,254</u>
Net assets		
Unrestricted	\$ 61,469	\$ 100,162
Total net assets	<u>\$ 61,469</u>	<u>\$ 100,162</u>

The largest portion of the Authority's net assets is held in cash.

Condensed Summary of Revenues, Expenses and Changes in Net Assets

<u>Description</u>	<u>2005</u>	<u>2004</u>
Operating Revenues (Expenses)		
Operating revenues	\$ 396,000	\$ 149,000
Operating expenses	<u>(434,693)</u>	<u>(48,838)</u>
Operating income (loss)	<u>(38,693)</u>	<u>100,162</u>
Net assets, beginning of period	<u>100,162</u>	<u>0</u>
Net assets, end of period	<u>\$ 61,469</u>	<u>\$ 100,162</u>

FINANCIAL OPERATING RESULTS

For purposes of this presentation, the Authority groups its operating revenues and expenses into the following categories:

Revenues

Bed taxes – The Board of Cuyahoga Commissioners passed a resolution that provides that a portion of the tax levied under section 5739.09(A)(1) of the Ohio Revised Code be contributed to a convention facilities authority. The resolution authorizes contributions to the Authority of \$33,000 per month for thirty-six months, commencing October 2004. The Authority reflects such revenues monthly as Bed taxes.

Grants – In 2004, the Board of Cuyahoga Commissioners passed a resolution granting \$50,000 to the Authority. The Authority has reflected this as grant revenue.

Expenses

Feasibility fees/Site study/Consulting Beginning December 2004 and throughout 2005, the Authority conducted a feasibility study and site study relative to the operation of a convention center facility in the City of Cleveland. The costs consist primarily of professional fees incurred to conduct such studies.

Professional fees Professional fees consist of legal fees of approximately \$35,995 in 2005 and \$15,383 in 2004, and accounting fees of \$9,725 in 2005.

Insurance This cost relates primarily to insurance coverage for Directors and Officers of the Authority. Coverage began in November 2004.

Promotion Beginning in 2005, the Authority conducted a variety of promotional activities relative to the development of a convention facility. Such costs consist primarily of fees and expense reimbursements paid to a professional communications firm.

Telephone/Meetings/Miscellaneous These categories summarize various expenses not included in other expense categories.

Condensed Summary of Cash Flows

Net cash used for operating activities increased during the Authorities initial period of operation as a result of bed tax and grant revenues. For the year ended December 31, 2005, net cash used in operating activities decreased as a result of increased expenses due to feasibility studies, professional fees and promotional activities. The Authority had no financing or investing activities.

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from government entities	\$ 363,000	\$ 182,000
Cash payments to suppliers for goods services	<u>(423,173)</u>	<u>58,352)</u>
Net cash from (used in) operating activities	(60,173)	123,648
Net increase (decrease) in cash	(60,173)	123,648
Cash, beginning of period	<u>123,648</u>	<u>0</u>
Cash, end of period	<u>\$ 63,475</u>	<u>\$ 123,648</u>

Budget Versus Actual Results

The Authority's budget is for the three-year period beginning October 1, 2004. The following analysis reflects the three-year budget compared to actual results through December 31, 2005:

	<u>Total Budget</u>	<u>Actual through 12/31/2005</u>	<u>Remaining Budget</u>
Revenues	\$1,350,000	\$ 545,000	\$ 805,000
Expenses:			
Occupancy	166,950	1,000	165,950
Salary and benefits	319,219	0	319,219
Office expense/administration	35,225	1,188	34,037
Business expenses	695,675	359,104	336,571
Marketing and promotion	<u>131,500</u>	<u>122,239</u>	<u>9,261</u>
Total expenses	<u>1,348,569</u>	<u>483,531</u>	<u>865,038</u>
Excess of revenues over expenses	<u>\$ 1,431</u>	<u>\$ 61,469</u>	<u>(\$ 60,038)</u>

Effective in April 2006, the monthly bed tax remittance to the Authority was reduced to \$8,000 per month. The budget has not been revised to consider the effect of this change on the Authority.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or request for additional financial information should be addressed to Mr. Peter Bastulli, Secretary/Treasurer, Cohen & Company, 1350 Euclid Avenue, 8th Floor, Cleveland, Ohio 44115.

CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY

Statements of Net Assets

	December 31,	
	2005	2004
ASSETS		
Current Assets		
Cash	\$ 63,475	\$ 123,648
Prepaid expenses	18,934	18,768
	\$ 82,409	\$ 142,416
TOTAL ASSETS		
	\$ 82,409	\$ 142,416
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 20,940	\$ 9,254
Deferred revenue	-0-	33,000
	20,940	42,254
Unrestricted Net Assets	61,469	100,162
	\$ 82,409	\$ 142,416

See Notes to Financial Statements

CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY

Statements of Revenue, Expenses and Changes in Net Assets

	Year Ended December 31, 2005		Period From Inception (May 4, 2004) to December 31, 2004	
	Amount	Percent	Amount	Percent
Revenue and Support				
Bed taxes	\$ 396,000	100.0 %	\$ 99,000	66.4 %
Grants	-0-	.0	50,000	33.6
Total revenues and support	<u>396,000</u>	<u>100.0</u>	<u>149,000</u>	<u>100.0</u>
Expenses				
Feasibility fees	140,318	35.4	30,000	20.1
Site study	84,125	21.2	-0-	.0
Consulting	19,750	5.0	-0-	.0
Professional fees	45,720	11.5	15,383	10.3
Insurance	21,792	5.5	2,982	2.0
Promotion - community outreach	80,486	20.3	-0-	.0
Promotion - web development	19,929	5.0	-0-	.0
Promotion - miscellaneous	21,368	5.4	456	0.3
Telephone	799	0.2	-0-	.0
Meetings	75	.0	-0-	.0
Miscellaneous	331	0.1	17	.0
Total expenses	<u>434,693</u>	<u>109.6</u>	<u>48,838</u>	<u>32.7</u>
Change in net assets	(38,693)	<u>(9.6) %</u>	100,162	<u>67.3 %</u>
Net assets, beginning	<u>100,162</u>		<u>-0-</u>	
NET ASSETS, ending	<u>\$ 61,469</u>		<u>\$ 100,162</u>	

See Notes to Financial Statements

CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY

Statements of Cash Flows

	Year Ended December 31, 2005	Period From Inception (May 4, 2004) to December 31, 2004
Cash Flows From Operating Activities		
Change in net assets	(\$ 38,693)	\$ 100,162
Adjustments to reconcile change in net assets to cash provided by operating activities:		
(Increase) decrease in assets:		
Prepaid expenses	(166)	(18,768)
Increase (decrease) in liabilities:		
Accounts payable	11,686	9,254
Deferred revenue	(33,000)	33,000
Net cash provided by (used in) operating activities	(60,173)	123,648
 Net increase (decrease) in cash	(60,173)	123,648
 Cash, beginning	123,648	-0-
 Cash, ending	\$ 63,475	\$ 123,648

See Notes to Financial Statements

CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2005 and the Period From Inception
(May 4, 2004) to December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Cleveland-Cuyahoga County Convention Facilities Authority (the Organization) was organized under laws of the State of Ohio to pay the direct and indirect costs of constructing, improving, expanding, equipping, financing, and operating a convention facility in the City of Cleveland and for such other purposes as may be permitted by law which are consistent with the purpose of the organization.

Basis of Accounting & Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Unrestricted Net Assets

Net assets not subject to donor imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognized no donated services during the year ended December 31, 2005 or the period from inception (May 4, 2004) to December 31, 2004.

Use of 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 could differ from those estimates.

Income Taxes

The Organization is a governmental entity created by the Board of County Commissioners of Cuyahoga County under Resolution #041704. As a governmental entity, the Organization does not file or pay income taxes.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2005 and the period from inception (May 4, 2004) to December 31, 2004 was \$121,783 and \$456, respectively.

CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY

Notes to Financial Statements

**Year Ended December 31, 2005 and the Period From Inception
(May 4, 2004) to December 31, 2004**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization of Costs

The Organization expenses all costs associated placing a convention center within Cuyahoga County because the project is still in the exploratory phase. Once a construction site is determined, the Organization will re-assess the accounting treatment of costs associated with the project regarding expensing versus capitalizing.

NOTE B - CONCENTRATIONS

Credit Risk From Cash Held in Bank

From time to time the Organization maintains cash balances in excess of FDIC insured limits.

Support

The organization receives 100% of its support from Cuyahoga County. In the event the project does not continue, net assets may revert back to the Organization's funding source.



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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

June 5, 2005

The Board of Directors
Cleveland-Cuyahoga County Convention Facilities Authority
Cleveland, Ohio

We have audited the financial statements of Cleveland-Cuyahoga County Convention Facilities Authority as of December 31, 2005 and 2004 and for the year ending December 31, 2005 and the period from inception (May 4, 2004) to December 31, 2004 and have issued our report dated June 5, 2005. We conducted our audits 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 audits, we considered Cleveland-Cuyahoga County Convention Facilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion 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

As part of obtaining reasonable assurance about whether Cleveland-Cuyahoga County Convention Facilities 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 audits, 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.

This report is intended solely for the information and use of the board of directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Barnes Wendling CPAs, Inc.



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Betty Montgomery**

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**CLEVELAND-CUYAHOGA COUNTY CONVENTION FACILITIES AUTHORITY
CUYAHOGA COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 7, 2006**