Franklin Park Conservatory Joint Recreation District

Financial Statements as of and for the Years Ended December 31, 2005 and 2004, and Independent Auditors' Reports

Auditor of State
Betty Montgomery

Board of Trustees
Franklin Park Conservatory Joint Recreational District
1777 East Broad Street
Columbus, Ohio 43203-2040

We have reviewed the *Independent Auditors' Report* of the Franklin Park Conservatory Joint Recreational District, Franklin County, prepared by Deloitte & Touche LLP, 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 Franklin Park Conservatory Joint Recreational District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 18, 2006

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

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Deloitte.

Deloitte & Touche LLP
155 East Broad Street
Columbus, OH 43215-3611
USA

Tel: +1 614 221 1000
Fax: +1 614 229 4647
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Franklin Park Conservatory Joint Recreation District:

We have audited the accompanying statements of net assets of the Franklin Park Conservatory Joint Recreation District (the "Conservatory") as of December 31, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets, and of cash flows, for the years then ended. These financial statements are the responsibility of the Conservatory's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the statements of financial position of the Franklin Park Conservatory Women's Sustaining Board , a discretely presented component unit, as of December 31, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets for the years then ended. Those financial statements were audited by others whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Franklin Park Conservatory Women's Sustaining Board, is based solely on the report of other auditors.

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 respective financial statements are free of material misstatement. The financial statements of Franklin Park Conservatory Women's Sustaining Board were not audited in accordance with *Government Auditing Standards*, but were audited in accordance with auditing standards generally accepted in the United States of America. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conservatory's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, such financial statements referred to above present fairly, in all material respects, the financial position of the Franklin Park Conservatory Joint Recreation District and its discretely presented component unit as of December 31, 2005 and 2004, and their changes in net assets and their cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 to 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Conservatory's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006, on our consideration of the internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 audits.

Deloitte + Touche LLP

September 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") section of the Franklin Park Conservatory Joint Recreation District's (the "Conservatory") financial report represents a discussion and analysis of the Conservatory's financial performance during the fiscal years ended December 31, 2005 and 2004. Please read it in conjunction with the Conservatory's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Conservatory accounts for all transactions under a single enterprise fund and the financial statements are prepared using proprietary fund (enterprise fund) accounting. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used. Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. These are followed by notes to the financial statements.

The Statement of Net Assets presents information on the assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Conservatory is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets reports the operating revenues and expenses and nonoperating revenue and expenses of the Conservatory for the fiscal year with the difference being combined with any capital contributions to determine the change in net assets for the fiscal year.

The Statement of Cash Flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year's cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

FINANCIAL HIGHLIGHTS

- Revenues, combined operating and nonoperating, were a record $6,078,000.

- Acquisition of the Chihuly art collection, valued at approximately $7 million, was completed by Friends of the Franklin Park Conservatory in January, 2005. Friends assigned the rights to use the collection to the Conservatory. The Chihuly Exhibition during 2003 to 2004 resulted in record attendance.

- The Master Plan, a strategic initiative for improving the vitality and grandeur of Franklin Park, progressed to the design development stage.

- The Capital Campaign for the Master Plan began in 2005, with approximately $5.7 million in donations pledged/received.

- Resultant donation and grant income increased approximately $858,000, or 51%, over 2004.

- The first exhibition developed by WOW!, a collaborative of six North American botanical gardens, was unveiled in November 2005. After a successful run at Franklin Park, the exhibit is being marketed around the country.

- Facility rental revenues increased by approximately $216,000, or 30%. Increased liquor sales alone accounted for more than $91,000 of the growth.

- The American Community Gardening Association ("ACGA") decided to relocate their administrative headquarters to Franklin Park. The ACGA is an organization to support community greening across the United States and Canada.

- Growing to Green, the Conservatory's community gardening program is now a resource for over 70 projects. These include school gardens and neighborhood beautification projects.

- The Conservatory retained an average of 64% of membership in 2005.

- Over 20,500 hours were donated in 2005 by volunteers, at savings of approximately $349,000 in labor costs.

Financial Position

The following summarizes the Conservatory's financial position as of December 31, 2005, 2004, and 2003:

	2005	2004	2003
ASSETS:			
Current assets	$ 2,108,554	$ 1,426,629	$ 832,042
Capital assets	8,534,126	4,911,515	5,134,190
Other noncurrent assets	2,827,297	245,138	213,329
Total assets	$ 13,469,977	$ 6,583,282	$ 6,179,561
LIABILITIES:			
Current liabilities	$ 6,211,078	$ 1,323,514	$ 841,221
Noncurrent liabilities	1,175,595	81,035	85,811
Total liabilities	7,386,673	1,404,549	927,032
NET ASSETS:			
Investment in capital assets, net of related debt	6,699,126	4,911,515	5,133,840
Restricted assets	980,335	1,049,017	279,239
Unrestricted net assets	(1,524,157)	(781,799)	(160,550)
Total net assets	6,155,304	5,178,733	5,252,529
Total liabilities and net assets	$ 13,541,977	$ 6,583,282	$ 6,179,561

Capital Assets—During fiscal year 2005, the Conservatory made permanent improvements to allow installation of the Garden Pavillion. The Pavillion is a tent customers rent during months when demand exceeds available permanent facilities. The Conservatory continued to invest in the Gift Shop, purchasing computer hardware and software for a point-of-sale system. This will allow timely reporting and analysis of sales and inventory, leading to better inventory cost control. Friends purchased the Chihuly art collection and assigned the rights to use the collection to the Conservatory. This should provide a substantial future revenue stream to the Conservatory, at less cost than other exhibits.

Noncurrent Assets—Pledges for the Master Plan scheduled for payment after 2006 are classified as noncurrent assets.

Current Liabilities—During 2005, the Conservatory obtained a demand promissory note with the proceeds used to purchase the Chihuly collection. Donations for the Master Plan were received. As these donations are restricted for the Master Plan, they are deferred until the costs are incurred. These deferred revenues are classified as current liabilities with the construction anticipated in 2006.

Long-Term Liabilities—At December 31, 2005, the portion of pledges for the expected Master Plan costs in 2007 and later, are classified as noncurrent.

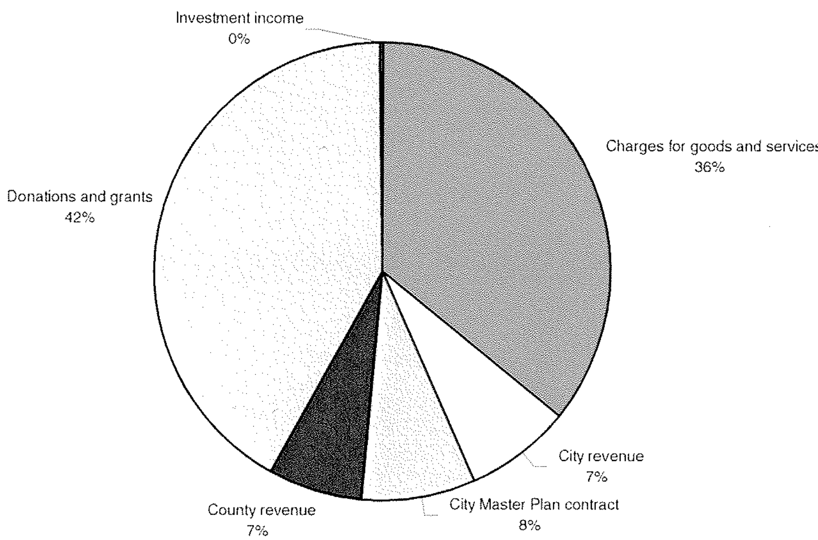
Net Assets—The Conservatory's assets exceeded liabilities by $6.1 million. The largest portion of the Conservatory's net assets each year represents its investment in capital assets, less related debt outstanding used to acquire those capital assets. The Conservatory uses these assets to provide services to its visitors; consequently, these assets are not available for future spending.

An additional portion of the Conservatory's net assets represents resources that are subject to restrictions as follows: Friends of the Conservatory $474,809, an endowment fund held at the Columbus Foundation $163,149, an endowment fund from Annie's Fund for the Creative Arts of $51,224, and an endowment for the Master Plan Gateway Fund of $6,693. The deficiency in unrestricted net assets increased from the prior year, due to changes in revenue and expenses as described below.

Financial Information

Revenue

The following chart shows the major sources of revenue for the year ended December 31, 2005.



The following schedule presents a summary of revenues for the fiscal years ended December 31, 2005, 2004, and 2003.

Operating Revenues:			
Charges for goods and services	$ 2,179,858	$ 3,190,204	$ 2,187,506
Non-operating Revenues:			
City revenue	452,693	452,693	603,591
City Master Plan contract	486,470		
County revenue	415,000	331,000	315,000
Donations and grants	2,530,203	1,672,173	1,233,862
Investment income	14,208	8,181	21,518
Total revenue	$ 6,078,432	$ 5,654,251	$ 4,361,477

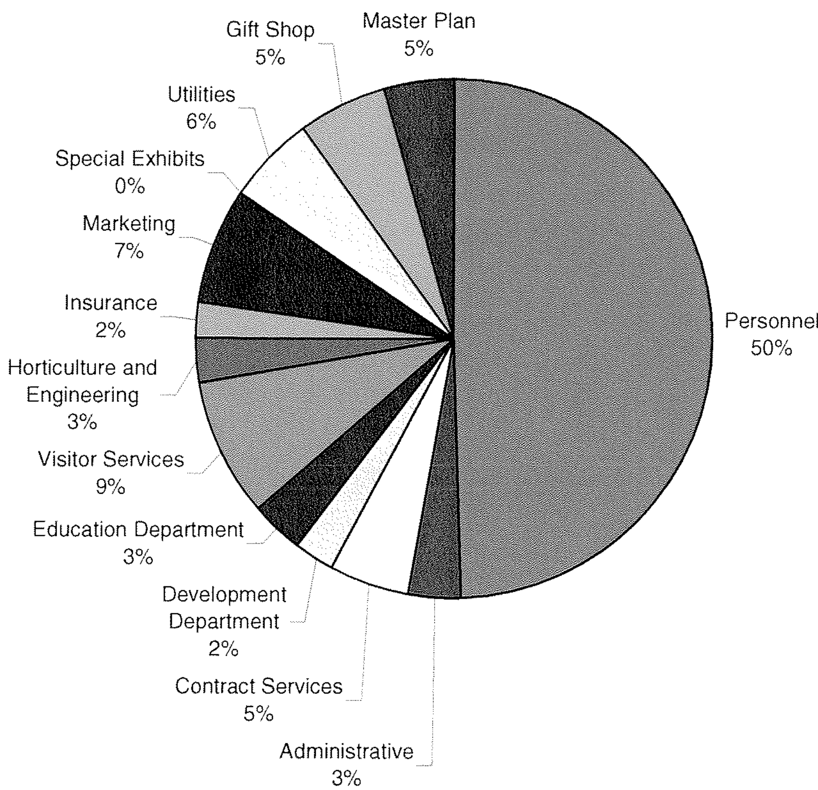
Revenue for 2005 increased $424,000, or 8%, from the previous year. The increase resulted from Chihuly-acquisition fundraising and the Capital Campaign of the Master Plan, as well as increases in facility rentals, offsetting declines in admissions, memberships and gift shop sales. Including capital contributions of $84,000 in 2004, the total County revenue remained consistent in 2005.

Charges for services decreased $1,010,000, or 32%. Donations and grants increased $858,000, or 51%. The facility rental income area increased $216,000, or 30%, attributable to the addition of Garden Pavilion tent, and increased liquor sales. Declines were in the attendance-driven areas, coming off record visitation for the Chihuly exhibit in 2004. Admissions, made up of individual ticket sales and group sales, and Gift Shop sales both decreased by 55% from 2004. Admissions decreased $657,000, while gift shop sales declined by $501,000. Membership sales declined $89,000, or 28%.

The Conservatory has a comprehensive strategic plan and mission that serves as a business plan to ensure programmatic and financial success. As a result of this strategic plan, the Conservatory has decreased its dependence on government subsidies to just 22% of its revenue in 2005 compared to 100% in 1993.

Expenses

The following chart shows the major categories of operating expenses for the year ended December 31, 2005.



The following schedule presents a summary of expenses for the fiscal years ended December 31, 2005, 2004, and 2003:

	2005	2004	2003
Personnel	$ 2,573,105	$ 2,533,788	$2,191,998
Administrative	175,656	162,782	107,328
Contract services	260,960	412,987	285,851
Development	119,633	141,167	492,675
Education/Interpretive	173,109	212,564	53,394
Visitor Services	446,605	149,537	152,331
Horticulture and engineering	154,185	211,962	220,640
Insurance	108,265	91,115	72,109
Marketing	372,619	419,953	
Special exhibits			118,191
Utilities	299,658	282,587	294,954
Gift shop	278,864	633,120	384,559
Master plan	236,618	227,637	
Total operating expenses	$ 5,199,277	$ 5,479,199	$4,374,030

Expenses fell by $280,000, or 5% from 2004, with decreases in contract services, horticulture and engineering, marketing, and gift shop partially offset by increases in personnel and visitor services.

Contract services expense decreased as the Chihuly exhibit, and the related cost of securing the installation ended in 2004.

Engineering expenses declined after setup costs for the Chapungu, which opened in 2004, were completed.

The Chihuly exhibit was more heavily marketed than the *Amazing Chocolate Tree* in 2005. Marketing for the Chihuly exhibit ended in 2004. Also, marketing for Chapungu, which ran from late 2004 to mid-2005, was weighted toward the beginning of the exhibit.

Gift shop expenses include the cost of items sold, and declined in 2005 along with gift shop sales. Sales declined as a result of less attendance.

Personnel costs increased due to cost-of-living salary increases, offset by reduced health insurance benefits with a new insurance carrier.

Visitor Services expense included the new cost of the Garden Pavilion tent rental in 2005, as well as more liquor costs of sales from increased sales.

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2005 AND 2004

	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ -	$ 126,885
Restricted cash and cash equivalents	169,622	72,020
Restricted investments	603,978	834,169
Receivables, net of allowance of $30,313	1,192,224	143,997
Prepaids	29,462	160,531
Inventory	113,268	89,027
Total current assets	2,108,554	1,426,629
NONCURRENT ASSETS:		
Capital assets	12,319,100	8,371,197
Accumulated depreciation	(3,784,974)	(3,459,682)
Total capital assets—net of accumulated depreciation	8,534,126	4,911,515
Noncurrent receivables	2,539,006	
Other noncurrent assets	288,291	245,138
Total noncurrent assets	11,361,423	5,156,653
TOTAL	$ 13,469,977	$ 6,583,282
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 702,755	$ 586,889
Deferred revenue	2,593,359	28,805
Customer deposits	211,918	209,732
Accrued expenses	118,546	60,088
Note payable	2,584,500	438,000
Total current liabilities	6,211,078	1,323,514
NONCURRENT LIABILITIES:		
Deferred revenue	1,107,930	
Accrued vacation and sick	67,665	81,035
Total noncurrent liabilities	1,175,595	81,035
Total liabilities	7,386,673	1,404,549
NET ASSETS:		
Invested in capital assets—net of related debt	6,699,126	4,911,515
Restricted net assets:		
Columbus Foundation	163,149	160,798
Expendable endowments	661,895	888,219
Other	155,291	
Total restricted net assets	980,335	1,049,017
Unrestricted net assets (deficiency)	(1,524,157)	(781,799)
Total net assets	6,083,304	5,178,733
TOTAL	$ 13,469,977	$ 6,583,282

See notes to financial statements.

FRANKLIN PARK CONSERVATORY WOMEN'S SUSTAINING BOARD

STATEMENTS OF FINANCIAL POSITION—COMPONENT UNIT
AS OF DECEMBER 31, 2005 AND 2004

	2005	2004
ASSETS		
CASH	$ 47,685	$ 17,606
ACCOUNTS RECEIVABLE	1,300	3,000
RELATED-PARTY RECEIVABLE	155,130	2,500
TOTAL	$ 204,115	$ 23,106
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 2,005	$ -
Donations payable—related-party	142,996	
Accrued expenses	27,880	
Total liabilities	172,881	-
NET ASSETS—Unrestricted net assets	31,234	23,106
TOTAL	$ 204,115	$ 23,106

See notes to financial statements.

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
OPERATING REVENUES—Charges for goods and services	$ 2,179,858	$ 3,190,204
OPERATING EXPENSES:		
Personnel	2,573,105	2,533,788
Administrative	175,656	162,782
Contract services	260,960	412,987
Development	119,633	141,167
Education/interpretive	173,109	212,564
Visitor services	446,605	149,537
Horticulture and engineering	154,185	211,962
Insurance	108,265	91,115
Marketing	372,619	419,953
Utilities	299,658	282,587
Gift shop	278,864	633,120
Master Plan	236,618	227,637
Total operating expenses	5,199,277	5,479,199
OPERATING LOSS BEFORE DEPRECIATION	(3,019,419)	(2,288,995)
DEPRECIATION	325,292	327,210
OPERATING LOSS	(3,344,711)	(2,616,205)
NONOPERATING REVENUE:		
Intergovernmental:		
City	452,693	452,693
City Master Plan contract	486,470	
County	415,000	331,000
Donations and grants	2,530,203	1,672,173
Investment income	14,208	8,181
Total nonoperating revenue	3,898,574	2,464,047
NONOPERATING EXPENSE—Interest	42,426	5,638
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	511,437	(157,796)
CAPITAL CONTRIBUTIONS	393,134	84,000
CHANGES IN NET ASSETS	904,571	(73,796)
NET ASSETS—Beginning of year	5,178,733	5,252,529
NET ASSETS—End of year	$ 6,083,304	$ 5,178,733

See notes to financial statements.

FRANKLIN PARK CONSERVATORY WOMEN'S SUSTAINING BOARD

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS—COMPONENT UNIT
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
REVENUE AND SUPPORT:		
Gardeners' fair	$245,653	$234,743
Member dues:		
Active	6,535	6,260
Sustainer	8,280	12,000
Contributions	8,815	5,465
Other	2,280	875
Member event	1,985	
Sustainer event	570	
Interest	192	117
Total revenue and support	274,310	259,460
OPERATING EXPENSES:		
Donations to Franklin Park Conservatory	142,656	146,000
Gardeners' fair	103,976	104,759
Dues	6,000	6,315
Roster	1,160	2,111
Database	1,371	1,935
Meetings	3,842	956
Audit fees	2,500	
New members	113	891
Newsletter	497	839
Miscellaneous	4,067	749
Total operating expenses	266,182	264,555
CHANGES IN NET ASSETS	8,128	(5,095)
NET ASSETS:		
Beginning of year	23,106	28,201
End of year	$ 31,234	$ 23,106

See notes to financial statements.

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 2,279,397	$ 2,584,842
Cash paid to employees	(2,317,705)	(2,521,664)
Cash paid to others	(2,613,905)	(2,146,517)
Net cash used in operating activities	(2,652,213)	(2,083,339)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from governmental entities	1,354,163	783,693
Cash received from loans	311,500	262,000
Cash received from donations and grants	2,518,102	1,672,173
Net cash provided by noncapital financing activities	4,183,765	2,717,866
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property, plant, and equipment	(3,947,903)	(104,535)
Cash received from loans	1,835,000	
Contributed capital	393,134	84,000
Membership payments to WOW!	(41,033)	(26,400)
Interest	(42,426)	(5,638)
Payments on capital lease obligations		(350)
Net cash used in capital and related financing activities	(1,803,228)	(52,923)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends received on cash and investments	5,347	6,761
Purchase of investments	(3,582,095)	(832,072)
Sale of investments	3,819,141	75,144
Net cash provided by (used in) investing activities	242,393	(750,167)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(29,283)	(168,563)
CASH AND CASH EQUIVALENTS—Beginning of year	198,905	367,468
CASH AND CASH EQUIVALENTS—End of year (including restricted cash of $169,622 and $72,020 in 2005 and 2004, respectively)	$ 169,622	$ 198,905
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$(3,344,711)	$(2,616,205)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	325,292	327,210
(Increase) decrease in assets:		
Accounts receivable	(381)	(12,103)
Prepaids	131,069	24,268
Inventory	(24,241)	(27,152)
Other noncurrent assets	(115)	
Increase (decrease) in liabilities:		
Accounts payable	115,866	170,656
Deferred revenue	97,734	16,784
Customer deposits	2,186	33,681
Accrued expenses	45,088	(478)
NET CASH USED IN OPERATING ACTIVITIES	$(2,652,213)	$(2,083,339)

See notes to financial statements.

1. REPORTING ENTITY

The City of Columbus (the "City") and Franklin County (the "County") agreed in 1990 to establish the Franklin Park Conservatory Joint Recreation District (the "Conservatory") pursuant to the authority contained in Section 755.14 (B) of the Ohio Revised Code ("ORC") upon the conclusion of Ameriflora 1992, Inc.'s horticulture exposition held at Franklin Park Conservatory. The original agreement allows the Conservatory to exist for a term of 40 years ending August 31, 2032. However, the City and County may renew and extend the agreement for additional successive terms of 10 years, with the title to the Conservatory's assets reverting back to the City at the end of the agreement.

The Conservatory is governed by a 17-member board, eight of whom shall be appointed by the City of Columbus' Mayor subject to confirmation by the City Council and six appointed by the County. Additionally, the Governor, the Speaker of the House of Representatives, and the President of the Senate of the State of Ohio shall each appoint one member to the Conservatory board. State appointed members are nonvoting members if they also serve as members of the Ohio General Assembly; no member presently serves both roles.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the Conservatory is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (i) the Conservatory's ability to impose its will over a component unit, or (ii) the possibility that the component unit will provide a financial benefit or impose a financial burden on the Conservatory. On that basis, the reporting entity of the Conservatory includes the Friends of the Conservatory as a blended component unit.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14* ("GASB 39") and implemented by the Conservatory effective January 1, 2004, further clarifies that certain organizations warrant an inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including ongoing financial support of the primary government. The Conservatory has determined that the Franklin Park Conservatory Women's Sustaining Board meets this definition and is therefore included as a discretely presented component unit in the Conservatory's financial statements.

Friends of the Conservatory—In July 1999, the Conservatory created Friends of the Conservatory ("Friends"), a separate legal not-for-profit corporation, in accordance with section 501(c)(3) of the Internal Revenue Code, to support the common good of the general public through the support and assistance of and cooperation with the Conservatory. Although it is legally separate from the Franklin Park Conservatory, Friends is reported as if it were part of the primary government because its sole purpose is to promote the Conservatory and raise capital and solicit funds in support of the Conservatory.

Franklin Park Conservatory Women's Sustaining Board—In 1984, the Franklin Park Conservatory Women's Sustaining Board (the "Women's Board"), was organized to create awareness of the Conservatory, to provide support to the Conservatory, and to broaden the base of support in the community for the Conservatory. The Women's Board is a legally separate not-for-profit organization in accordance with section 501(c)(3) of the Internal Revenue Code, and its financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board ("FASB") Statements and Interpretations. The Women's Board is considered a discretely presented component unit of the Conservatory under GASB 39.

WOW! Collaborative—In 2002, Franklin Park Conservatory became a member of the WOW! Collaborative. Five conservatories and botanical gardens joined together to create traveling exhibitions. During the year, this group met several times and hired a designer to design the traveling exhibit. The Conservatory was holding all assets of WOW! until it became a separate legal entity. These assets were held in a separate agency fund. Agency funds are custodial in nature and do not involve measurement of results of operations. During 2004, WOW! was incorporated as a separate legal entity, the WOW! Collaborative, and the Conservatory transferred all assets of WOW! to the WOW! Collaborative.

Joint Venture—The arrangement between the City and the County establishing the Conservatory possesses the characteristics of an entity classified as a joint venture. The City contributed certain fixed assets to the Conservatory at the time of its inception and both the City and County have historically agreed to annual operating subsidies. In 2005 and 2004, the subsidies totaled $1,071,692 and $867,693, respectively. This represents 17% and 15%, respectively, of the Conservatory's 2005 and 2004 revenue. In the event of the Conservatory's liquidation, its assets will be transferred to the City. Based on the above, the Conservatory is a joint venture between the City and the County. Future capabilities of the Conservatory to operate at current service levels are dependent upon annual operating subsidiaries from the City and the County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Conservatory have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. The Conservatory's significant accounting policies are described below.

Basis of Accounting—The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenues from charges for services are reported as operating revenues. Transactions, which are capital, financing, or investment related, are reported as nonoperating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies, and other miscellaneous expenses are reported as operating expenses.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the Conservatory follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict or contradict GASB pronouncements. The Conservatory has elected to follow GASB guidance for proprietary funds rather than FASB guidance issued after November 30, 1989.

Cash and Cash Equivalents—For the purposes of the statement of cash flows, the Conservatory considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash and cash equivalents consist of cash and cash equivalents restricted for endowments, the master plan and use on various exhibits. At December 31, 2005, the Conservatory had spent $43,586 of the restricted fund for use in general operations.

Investments—In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Conservatory records all its investments at fair value, as required by the Statement.

Inventory—Inventories are valued at cost using the specific identification method.

Plant Collection—The Conservatory does not capitalize their plants. They are expensed as purchased. The plant collection is held for public exhibition and education, is protected, kept unencumbered, cared for, and preserved and is subject to a Conservatory policy that requires proceeds from sales of the plant collection be used to acquire other plant collections.

Capital Assets—Capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The Conservatory capitalizes all assets over $2,500. The Conservatory does not possess any infrastructure. Depreciation has been provided, where appropriate, on a straight-line basis over the estimated useful lives ranging from 3 to 30 years. For 2005 and 2004, there were no capitalized interest costs.

Compensated Absences—The Conservatory follows GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued for vacation and sick leave if it is probable that the employee will be compensated through a cash payment. However, beginning January 1, 2003, vacation and sick leave earned during the year cannot be carried over to the following year. Vacation and sick leave earned prior to 2003 is available to use and an accrual has been recorded.

Budgetary Accounting and Control—The Conservatory's annual budget is prepared on the accrual basis of accounting and approved by the Board of Directors. The budget includes anticipated amounts for current-year revenues and expenses as well as new capital projects.

The Conservatory maintains budgetary control by not permitting total operating expenses and expenditures for individual programs to exceed their respective budget amounts without the appropriate approvals. All budget amounts lapse at year-end.

New Accounting Standards Not Yet Implemented—In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The standards in this Statement apply for trust funds included in the financial reports of plan sponsors or employees, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement system, or other third parties that administer them. The provisions of this Statement are effective for periods beginning after December 15, 2005. The Conservatory has not completed an analysis of the impact of this standard on the Conservatory's financial statements.

In June 2005, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information in the financial reports of state and local government employers. This Statement is effective for periods beginning after December 15, 2006. The Conservatory has not completed an analysis of the impact of this standard on their financial statements.

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Legislation, an amendment of GASB Statement No. 34*, which requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The standard is effective for periods beginning after June 15, 2005. The Conservatory has not completed an analysis of the impact of this standard on its reported financial statements.

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This Statement establishes standards for accounting and financial reporting for termination benefits provided to employees including early retirement incentives, severance benefits, and other termination-related benefits. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2005. The Conservatory has not completed an analysis of the impact of this standard on its reported financial statements.

Reclassification—Certain prior-year numbers have been reclassified to conform with the current-year presentation.

3. CASH AND INVESTMENTS

Cash and Cash Equivalents—The investment and deposit of the Conservatory's monies are governed by the provisions of the Ohio Revised Code ("ORC"). In accordance with these statutes, the Conservatory is authorized to invest in United States and State of Ohio bonds, notes, and other obligations, bank certificates of deposit, banker acceptances, commercial paper notes rated prime and issued by United States corporations, repurchase agreements secured by United States obligations, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a-7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2005.

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Conservatory's name.

Deposits with Financial Institutions—At year-end, the carrying amount of the Conservatory's deposits with financial institutions was $168,659 and the total bank balance was $401,318, with the difference being mainly to outstanding checks. Based upon criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures,* $163,345 of the bank balance was covered by deposit insurance provided by the FDIC; and $237,011 was uncollateralized ("Category 3") as defined by the GASB.

STAROhio—The Conservatory's investment policy is to diversify in order to avoid incurring potential losses on individual securities that may not be held to maturity, and no investment is purchased unless there is a reasonable expectation to hold to maturity. Investments with maturities of more than one year are not purchased unless matched with a specific obligation. The Conservatory's entire investment balance of $963 and $934 at December 31, 2005 and 2004, respectively, is invested in STAROhio.

Friends of the Conservatory—Friends of the Conservatory's securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned or pledged to Friends.

The value of investments at December 31, 2005 and 2004, are as follows:

	2005	**2004**
Money market fund	$513,205	$711,123
Equity mutual funds	90,773	97,427
US Government Agency Obligations		25,619
Total	$603,978	$834,169

Statements Nos. 3 and 40 of the Governmental Accounting Standards Board require certain additional disclosures related to the interest-rate, credit and foreign currency risks associated with deposits and investments.

Interest-rate Risk—Interest-rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. All Friends investments are not subject to maturities based on their nature.

Credit Risk—For an investment, credit risk is the risk that in the event of failure of the counterparty, the Friends will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of Friends' investment balances are collateralized by underlying securities pledged by the investment's counterparty, not in the name of Friends'.

Concentration of Credit Risk—Friends' guidelines do not place a limit on the amount which may be invested in any one issuer. Of Friends' total investments, 85% are in money market funds and 15% are in mutual funds.

4. CAPITAL ASSETS

A summary of the changes in capital assets for the years ended December 31, 2005 and 2004, is as follows:

	Balance December 31, 2004	Additions	Disposals/ Deletion	Balance December 31, 2005
Capital assets:				
Land	$ 100,000	$ -	$ -	$ 100,000
Buildings	6,980,580			6,980,580
Building improvements	826,847	34,240		861,087
Construction in progress		393,134		393,134
Equipment and fixtures	399,463	3,520,529		3,919,992
Vehicles	64,307			64,307
Total capital assets	8,371,197	3,947,903	-	12,319,100
Less accumulated depreciation:				
Buildings	2,908,576	232,686		3,141,262
Building improvements	254,546	49,173		303,719
Equipment and fixtures	254,997	36,449		291,446
Vehicles	41,563	6,984		48,547
Total accumulated depreciation	3,459,682	325,292	-	3,784,974
Net capital assets	$4,911,515	$3,622,611	$ -	$8,534,126

	Balance December 31, 2003	Additions	Disposals/ Deletion	Balance December 31, 2004
Capital assets:				
Land	$ 100,000	$ -	$ -	$ 100,000
Buildings	6,980,580			6,980,580
Building improvements	759,772	67,075		826,847
Equipment and fixtures	375,208	24,255		399,463
Vehicles	51,102	13,205		64,307
Total capital assets	8,266,662	104,535	-	8,371,197
Less accumulated depreciation:				
Buildings	2,675,890	232,686		2,908,576
Building improvements	209,071	45,475		254,546
Equipment and fixtures	214,550	40,447		254,997
Vehicles	32,961	8,602		41,563
Total accumulated depreciation	3,132,472	327,210	-	3,459,682
Net capital assets	$5,134,190	$ (222,675)	$ -	$4,911,515

5. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

All Conservatory employees are required to participate in the statewide Ohio Public Employees Retirement System ("OPERS"). The plan is a cost sharing, multiple employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code. In 2005, the employer was required to contribute 13.55% of active member payroll. The portion of an employee's contribution is equal to 8.5% to be picked up (assumed and paid) on behalf of the employee, and in lieu of payment by the employee, by the Conservatory.

Total required employer contributions billed to the Conservatory were approximately $285,000, $279,000, and $243,000 in 2005, 2004, and 2003, respectively, which were equal to the required contributions each year.

OPERS issues a publicly available stand-alone financial report that includes its financial statements and required supplementary information. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642 or by calling 614-222-6701 or 1-800-222-7377.

Other post-employment benefits for health care costs provided by OPERS are as follows:

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit ("OPEB") as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government Employers.* A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 employer contribution rate for state employers was 13.55% of covered payroll; 4.0% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. The portion of the Conservatory's 2005 and 2004 contributions that were used to fund postemployment benefits was approximately $84,000 and $83,000, respectively. The ORC provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the OPERS's latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.00%. An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next eight years. In subsequent years (nine and beyond health care costs were assumed to increase 4% (the projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2004, the actuarial value of the OPERS's net assets available for OPEB were $10.8 billion. The number of active contributing participants were 367,109. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.5 billion and $18.7 billion, respectively.

The Health Care Preservation Plan ("HCCP") adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of HCCP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

6. ACCRUED VACATION AND SICK LEAVE LIABILITY

A summary of changes in the long-term accrued vacation and sick leave for the years ended December 31, 2005 and 2004, are as follows:

	December 31, 2004	Increases	Decreases	December 31, 2005	Current
Vacation and sick leave	$81,035	$4,038	$ -	$85,073	$ 17,408

	December 31, 2003	Increases	Decreases	December 31, 2004
Vacation and sick leave	$85,811	$ -	$(4,776)	$81,035

7. NOTES PAYABLE

Line of Credit—During 2005, the Conservatory negotiated a revolving credit agreement of $750,000 with a bank. The line bears interest at prime plus 1% and is due monthly when the line has been drawn. These borrowings are collateralized by all assets now owned and those to be acquired. At December 31, 2005 and 2004, the amount outstanding on the line of credit were $749,500 and $438,000.

Promissory Note—During 2005, Friends obtained a promissory note for $1,835,000 from a donor. The note is noninterest bearing and collateralized by certain pledged donations. The note automatically matures in December 2005, and may be prepaid at any time. The note must be prepaid upon the collection of the pledged donations.

8. LEASES

The Conservatory is leasing certain equipment under operating leases. Future minimum payments, by year, and in the aggregate, under these leases with initial or remaining terms of one year or more, at December 31, 2005, consisted of the following:

Years Ending December 31	Operating Leases
2006	$ 9,687
2007	6,619
2008	2,323
2009	2,323
2010	581
Total minimum lease payments	$21,533

In 2005 and 2004, the Conservatory had $9,880 and $7,392, respectively, in operating lease expense.

9. COMMITMENTS AND CONTINGENCIES

Grants—Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Conservatory expects such amounts, if any, to be immaterial.

10. RISK MANAGEMENT

The Conservatory maintains comprehensive insurance coverage with private carriers for real property, building contents, directors and officers' liability insurance and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

In addition, the Conservatory provides medical benefits to most of its employees on a fully insured basis with an independent insurance company. The premium rate is calculated based on claim history and administrative costs.

The Conservatory is part of the state-wide plan for workers' compensation insurance coverage.

There were no changes to the above policies during the current fiscal year. Claims experience over the past three years indicates that there were no instances of losses exceeding insurance coverage.

11. ENDOWMENT FUNDS

In 1996, the Women's Board created an Endowment Fund (the "Fund") for the Conservatory at the Columbus Foundation, an Ohio not-for-profit corporation. As of December 31, 2005 and 2004, the Fund had assets, recorded in other noncurrent assets, with a fair value of $163,149 and $160,798, respectively. The Fund is included in the Conservatory's financial statements.

In July 1999, the Conservatory created Friends, a separate legal not-for-profit corporation, in accordance with section 501(c)(3) of the Internal Revenue Code, to support the common good of the general public through the support and assistance of and cooperation with the Conservatory. The Board of Trustees of the Conservatory has reserved the right to suggest to the Committee the manner of distribution of the principal and income of the endowment. As of December 31, 2005 and 2004, Friends had assets with a fair value of $603,978 and $834,169, respectively. Friends is included in the Conservatory's financial statements.

In 2001, Annie's Fund for the Creative Arts created an Endowment Fund for the Conservatory in the form of a collection of Koi (Japanese carp) fish. All donations received for this endowment fund are reserved for the care and support of these fish and their environment. At December 31, 2005 and 2004, the endowment was valued at $51,224 and $50,476, respectively.

In December 2002, the Master Plan Gateway Fund was established for gateway development in Franklin Park. All donations received for this endowment fund will be used to build gateways in Franklin Park. At December 31, 2005 and 2004, the fund was valued at $6,693 and $3,574, respectively.

12. FRANKLIN PARK CONSERVATORY WOMEN'S SUSTAINING BOARD

Revenue Recognition—All contributions are considered to be available for unrestricted use unless restricted by the donor for specific purposes. Contributions received with donor-imposed restrictions are reported as temporarily restricted or permanently restricted support that increases those net asset classes. If a restriction is fulfilled in the same time period in which the contribution is received, the Women's Board reports the support as restricted with a corresponding release in restriction.

Net Assets—As of December 31, 2005, the Women's Board had unrestricted net assets only.

Financial Statement Presentation—The Women's Board is required to disclose, on a functional basis, costs associated with each program. Substantially, all of the expenses incurred by the Women's Board relate specifically to the Women's Board primary program to provide donations in support if services to meet the needs of the Conservatory. Any expenses incurred, which do not directly relate to this program, are deemed immaterial for financial statement purposes and therefore are not shown separately.

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ADDITIONAL INFORMATION

Deloitte.

Deloitte & Touche LLP
155 East Broad Street
Columbus, OH 43215-3611
USA

Tel: +1 614 221 1000
Fax: +1 614 229 4647
www.deloitte.com

INDEPENDENT AUDITORS' 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 Trustees of
Franklin Park Conservatory Joint Recreation District:

We have audited the financial statements of the Franklin Park Conservatory Joint Recreation District (the "Conservatory") as of and for the year ended December 31, 2005, and have issued our report thereon dated September 29, 2006, which included a reference to other auditors who audited the financial statements of Franklin Park Conservatory Women's Sustaining Board, a discretely presented component unit of the Conservatory. 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 Conservatory'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 assurance 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 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 operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Conservatory'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 have reported to management of the Conservatory in a separate letter dated September 29, 2006.

This report is intended solely for the information and use of the Board of Trustees, management, the City of Columbus, and the Ohio Auditor of State and is not intended to be, and should not be, used by anyone other than those specified parties.

Deloitte + Touche LLP

September 29, 2006

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FRANKLIN PARK CONSERVANCY JOINT RECREATIONAL DISTRICT

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
DECEMBER 28, 2006