

**Franklin County Stadium, Inc.
and Columbus Baseball Team, Inc.**

*Audited Combined Financial Statements
December 31, 2006*



Mary Taylor, CPA
Auditor of State

Board of Directors
Franklin County Stadium, Inc. and Columbus Baseball Team, Inc.
1155 West Mound Street
Columbus, Ohio 43223

We have reviewed the *Independent Auditor's Report* of the Franklin County Stadium, Inc. and Columbus Baseball Team, Inc., Franklin County, prepared by Rea & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Franklin County Stadium, Inc. and Columbus Baseball Team, Inc. are responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 2, 2007

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We're Ready For Your Future

April 26, 2007

To the Board of Directors
Franklin County Stadium, Inc. and
Columbus Baseball Team, Inc.
Columbus, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying combined balance sheet of Franklin County Stadium, Inc. (the Stadium) and Columbus Baseball Team, Inc. (the Team), a component unit of Franklin County, Ohio, and the related combined statements of revenues, expenses and changes in net assets and of cash flows as of and for the year ended December 31, 2006. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stadium and Team as of December 31, 2006, and the results of their operations and its cash flows for the year then ended 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 April 26, 2007 on our consideration of the Stadium's and the Team's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

Rea & Associates, Inc.

Franklin County Stadium and Columbus Baseball Team, Inc.

Management's Discussion and Analysis
For the Year Ended December 31, 2006

This narrative comparison is for the Columbus Clippers' 2006 audit as compared to the previous year. The 2006 season saw a decrease in attendance of roughly .2%. The 2005 season represented the best paid attendance figure in the last decade. Parking prices were maintained at \$3 per vehicle and season parking pass prices increased by \$5 a book, this coupled with increased group attendance led to a significant increase in parking receipts. Daily ticket prices were increased slightly from the prior year and concessions prices were permitted only a percentage increase that coincided with the raw material cost increase. Most income categories were up slightly as the team is not in a position to pass along all the cost increases of doing business to our fans in this particular facility.

Supplies, repair and maintenance expenses decreased slightly in 2006 due to the Team only maintaining the Stadium to a certain level due to the construction of a new stadium to be opened in 2009. The stadium will celebrate its 75th birthday during the course of the 2007 calendar year. Utility costs were down slightly, an area management aggressively controls to the best of its ability. Insurance costs were up, and once again, this is an area that the team has very little control over with the continued increase in premiums and the baseball industry requirements throughout the country. Team expenses were up slightly as a result of the team flying to more locations for games in 2006.

The overall audit again indicates a status quo report for the most part. The team continues to utilize the interest from the investments held in reserve to balance the budget. These reserves started being used in 2005 for the planning of the new downtown ballpark, to be known as Huntington Park, scheduled to open in 2009. The team expended over \$2.8 million in that area of its operations including sponsorship payments of \$1,980,000 to Franklin County. Part of the gradual increase in the Team's numbers during 2006 and in the next two years will be fans and sponsors lining up to be able to participate in the new facility. The team continues to advise everyone that all ticket holders and sponsors of Cooper Stadium are first in line, on a seniority basis, when it comes to participating and securing tickets at the new downtown ballpark.

The following table provides a summary of the Columbus Clippers' net assets as of December 31:

Summary of Net Assets				
(dollars are in thousands)				
	<u>2006</u>	<u>2005</u>	<u>Amount</u> <u>Change</u>	<u>%</u> <u>Change</u>
Current and other assets	\$ 5,553	\$ 3,583	\$ 1,970	54.98
Capital assets	<u>1,779</u>	<u>2,083</u>	<u>(304)</u>	(14.59)
Total assets	<u>7,332</u>	<u>5,666</u>	<u>1,666</u>	
Total liabilities	<u>2,950</u>	<u>862</u>	<u>2,088</u>	242.22
Net assets:				
Invested in capital assets	1,779	2,083	(304)	(14.59)
Unrestricted	<u>2,603</u>	<u>2,721</u>	<u>(118)</u>	(4.34)
Total net assets	<u>\$ 4,382</u>	<u>\$ 4,804</u>	<u>\$ (422)</u>	

Management's Discussion and Analysis
For the Year Ended December 31, 2006

The following table provides a summary of the Columbus Clippers' net assets as of December 31:

Summary of Changes in Net Assets
(dollars are in thousands)

	<u>2006</u>	<u>2005</u>	<u>Amount</u> <u>Change</u>	<u>%</u> <u>Change</u>
Revenues:				
Operating	\$ 4,060	\$ 3,700	\$ 359	
Nonoperating	<u>276</u>	<u>361</u>	<u>(85)</u>	
Total revenue	<u>4,336</u>	<u>4,061</u>	<u>274</u>	6.75
Expenses:				
Operating	4,341	3,902	439	
Nonoperating	<u>417</u>	<u>414</u>	<u>3</u>	
Total expense	<u>4,758</u>	<u>4,316</u>	<u>442</u>	10.24
Increase (decrease) in net assets	(422)	(255)	(168)	
Beginning net assets	<u>4,804</u>	<u>5,059</u>	<u>(195)</u>	(3.85)
Ending net assets	<u>\$ 4,382</u>	<u>\$ 4,804</u>	<u>\$ (363)</u>	<u>(7.56)</u>

All the numbers are in line with the .2% decline in attendance . . . the team continues to watch their finances with great care and are staying in line with yearly expenses as opposed to revenues. Management has maintained stable ticket prices, and concessions have had minimal increases only when dictated by the cost of raw materials.

The Columbus Clippers completed their 30th season in 2006 of providing affordable, wholesome family entertainment for the citizens of Franklin County and central Ohio. This has been accomplished with no subsidies while paying back both the loan for the franchise and the loan for improvements to the stadium. All capital expenditures since 1977 have been financed by the team. The two major factors impacting the success of the business operations continue to be the performance of the team on the field and the weather for home games; two factors where the business operations have little impact. The Columbus Clippers still stand as a model franchise in that they are the only team in minor league baseball, to our knowledge, that has paid off both the debt on its franchise and the debt on its facility improvements and own both completely free of debt. That is a significant achievement in this industry of professional sports.

FRANKLIN COUNTY STADIUM AND COLUMBUS BASEBALL TEAM, INC.

COMBINED BALANCE SHEET
AS OF DECEMBER 31, 2006

ASSETS

	<u>2006</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 844,775
Investments available for sale	1,358,720
Trade accounts receivable, net of allowance for doubtful accounts	16,832
Souvenir and equipment inventory	108,785
Prepaid expenses for Huntington Park	2,878,669
Other prepaid expenses	3,027
	<hr/>
Total current assets	5,210,808
CASH SURRENDER VALUE OF LIFE INSURANCE	342,434
CAPITAL ASSETS, net	1,779,118
	<hr/>
Total assets	<u><u>\$ 7,332,360</u></u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	<u>2006</u>
CURRENT LIABILITIES:	
Accounts payable	\$ 101,622
Accrued expenses	22,157
Capital lease payable	16,359
Deferred revenue	359,046
Due to others	471,147
	<hr/>
Total current assets	970,331
LONG TERM LIABILITIES:	
Unearned revenue, Huntington Park	1,980,000
	<hr/>
Total liabilities	2,950,331
	<hr/>
NET ASSETS:	
Investment in capital assets, net of related debt	1,779,118
Unrestricted	2,602,911
	<hr/>
Total Net Assets	4,382,029
	<hr/>
Total liabilities and net assets	<u>\$ 7,332,360</u>

The accompanying notes are an integral part of these financial statements.

FRANKLIN COUNTY STADIUM AND COLUMBUS BASEBALL TEAM, INC.
 COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Revenues	
Ticket sales	\$ 1,394,269
Concessions	908,550
Souvenirs	368,707
Parking	262,159
Special Events	431,326
Advertising	510,683
Other	183,887
	4,059,581
Expenses	
Stadium	1,297,211
Payroll and related taxes	1,578,242
Team	455,648
Souvenirs	334,264
Advertising	218,273
Other	457,376
	4,341,014
Income (loss) before investment income and depreciation	(281,433)
Investment Income	
Interest and dividends	30,154
Net realized and unrealized gains (losses)	246,264
	276,418
Income before depreciation and amortization	(5,015)
Depreciation and amortization expense	417,191
Net loss	(422,206)
Net assets at beginning of year (restated)	4,804,235
Net assets at end of year	\$ 4,382,029

The accompanying notes are an integral part of these financial statements.

FRANKLIN COUNTY STADIUM AND COLUMBUS BASEBALL TEAM, INC.
 COMBINED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER, 31, 2006

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	2006
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,105,741
Cash paid to suppliers	(2,620,969)
Cash paid to employees	(1,578,242)
Cash paid for Huntington Park expenses	(643,509)
Cash surrender value of life insurance	85,124
Net cash used in operating activities	(651,855)
CASH FLOWS FROM CAPITAL ACTIVITIES	
Payments for the purchase of capital assets	(92,335)
Net cash used in capital activities	(92,335)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	30,154
Proceeds from the sale of investments	2,032,233
Purchase of investments available for sale	(805,862)
Principal payments under capital lease obligations	(11,786)
Net cash provided by investing activities	1,244,739
Net increase in cash and cash equivalents	500,549
CASH AND CASH EQUIVALENTS, beginning of year	344,226
CASH AND CASH EQUIVALENTS, end of year	\$ 844,775
Reconciliation of net loss before investment income, depreciation and amortization to net cash provided by (used in) operating activities:	
Net loss before investment income, depreciation and amortization	\$ (281,433)
Adjustments to reconcile net loss before investment income, depreciation and amortization to net cash provided by (used by) operating activities:	
(Increase) decrease in current assets	
Trade accounts receivable	(7,388)
Souvenir and equipment inventory	40,907
Prepaid expenses for Huntington Park and other	(2,589,655)
(Increase) decrease in cash surrender value of life insurance	
Cash surrender value of life insurance	85,124
Increase (decrease) in current liabilities	
Accounts payable	24,903
Accrued expenses	6,129
Deferred revenue	53,547
Due to others	36,011
Increase (decrease) in long term liabilities	
Unearned revenue, Huntington Park	1,980,000
Total adjustments	(370,422)
Net cash provided by (used in) operating activities	\$ (651,855)

The accompanying notes are an integral part of these financial statements.

FRANKLIN COUNTY STADIUM AND COLUMBUS BASEBALL TEAM, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Franklin County Stadium, Inc. (the Stadium) and the Columbus Baseball Team, Inc. (the Team) were organized by Franklin County, Ohio (the County) as nonprofit Ohio corporations in accordance with Section 1702.01 of the Ohio Revised Code to manage, operate and promote a professional baseball team and such other forms of entertainment that benefit the general welfare of the County. Both corporations are directed by the Franklin County Board of Parks and Recreation (the Board) and are component units of the County.

The accounting policies and financial reporting practices of the Stadium and Team conform to Generally Accepted Accounting Principles (GAAP). The Stadium and Team apply all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Stadium and Team have implemented GASB Statement 20. They have elected to apply all applicable statements issued by the Financial Accounting Standards Board (FASB). The adoption of this approach to accounting required no change from prior years. The following is a summary of its significant accounting policies:

Basis of Presentation - Fund Accounting

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

Basis of Accounting

The proprietary funds are reported using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses, including depreciation, are recognized at the time liabilities are incurred.

The Stadium and Team report deferred revenue on the combined balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the Stadium and Team before they have a legal claim to them, as when season ticket monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when the Stadium and Team have a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

FRANKLIN COUNTY STADIUM AND COLUMBUS BASEBALL TEAM, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principals of Combination

The accompanying combined financial statements of Columbus Baseball Team, Inc. and Franklin County Stadium, Inc. include the results and balances of both companies. All significant intercompany accounts and transactions have been eliminated in combinations.

Rent income of \$285,000 to Franklin County Stadium, Inc. was eliminated by the rent expense of \$285,000 for Columbus Baseball Team, Inc.

Net Asset components for each company are as follows:

	2006	
	Team, Inc.	Stadium, Inc.
Invested in capital assets, net of related debt	\$ 105,558	\$ 1,673,559
Unrestricted	241,968	2,360,944
Total net assets:	347,526	4,034,503
Total combined net assets	\$ 4,382,029	

Budgetary Data

The Stadium and Team are not subject to annual budget requirements.

Management's Estimates

Preparation of financial statements in accordance with generally accepted accounting principles requires the use of management's estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Stadium and Team consider all cash in checking accounts, money market accounts and petty cash to be cash equivalents.

Investments Available for Sale

Investments available for sale are stated at fair value. The Stadium and Team pool all individual cash balances and investments available for sale for investment purposes. Investment income is allocated to the Stadium and Team based on the average investment balances in each entity.

The Stadium and Team use the specific identification cost method when calculating realized gains and losses on sales of investments available for sale.

Souvenir and Equipment Inventory

Inventories are stated at the lower of cost (first-in, first-out basis) or market. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed.

FRANKLIN COUNTY STADIUM AND COLUMBUS BASEBALL TEAM, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Property, plant and equipment purchases are capitalized at cost. The Stadium and Team maintain a capitalization threshold of \$3,000. Depreciation is recorded on the straight-line basis using the following asset lives:

Machinery and equipment	3 - 10 years
Leasehold improvements	5 - 20 years
Playing field	10 years

Advertising

Advertising costs are expenses as incurred. Advertising costs, net of reimbursements from sponsors, were \$218,274 for 2006.

Income Taxes

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

Reclassification of Financial Statement Presentation

Certain reclassifications have been made to the 2005 financial statements to conform to the 2006 financial statement presentation. Such reclassifications had no effect on net assets as previously reported

NOTE 2: CASH AND INVESTMENTS

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

Custodial risk is the risk that, in the event of bank failure, the deposits of the component unit might not be recovered. At December 31, 2006, the Stadium held a cash book balance of \$844,777. The bank balances totaled \$296,353, of which \$259,320 was insured by FDIC. A remaining balance of \$37,032 was in excess of FDIC insurance limits, however, these deposits were covered by a pledged collateral pool.

Investments: The following securities are authorized investments under the Stadium's policy:

1. United States Treasury notes, bills, bonds, or other obligation or security issued by the Treasury, any other obligation guaranteed as to principal and interest by the U.S., or any book entry, zero-coupon security that is a direct obligation of the United States.

FRANKLIN COUNTY STADIUM AND COLUMBUS BASEBALL TEAM, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 2: CASH AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued directly by any federal government agency or instrumentality.
3. Money market mutual funds, provided that the investments are made only through eligible institutions.
4. Common stocks in publicly traded companies in an equity account managed by certified and licensed professionals.

As of December 31, 2006, the Stadium had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Percentage of Portfolio</u>
Investments:			
Managed equity accounts	\$ 1,358,721	N/A	79.87%
Cash surrender value of life insurance	<u>342,434</u>	N/A	<u>20.13%</u>
Total investments	<u>\$ 1,701,155</u>		<u>100.00%</u>

Interest rate risk: The Stadium does not have a policy limiting investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit risk: The Stadium does not place a limit on the amount that may be invested in any one issuer.

Custodial credit risk: For an investment, the custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Stadium will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. In order to mitigate custodial risk, the Stadium purchases their investments only through a licensed broker/dealer or institution.

NOTE 3: RETIREMENT AND DEFERRED COMPENSATION

In connection with employment contracts between the Team and certain key employees, provision has been made for deferred compensation which is payable upon retirement. At 2006, \$441,147 has been accrued under these contracts and this liability is recognized in the financial statements.

The Team is the owner and beneficiary of life insurance policies aggregating \$1,768,060 on the lives of those employees. The policies had an aggregate cash surrender value of \$342,434 at 2006.

FRANKLIN COUNTY STADIUM AND COLUMBUS BASEBALL TEAM, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 3: RETIREMENT AND DEFERRED COMPENSATION (Continued)

The deferred compensation is to be paid to the individuals or their survivors over a period of ten years commencing with the first year following retirement from the Team. The Team records annual accruals for the cost of providing such benefits by recording an expense. The amount accrued was \$36,011 for the year ended 2006. The accruals increase each year based on the discount rate (7%) used in determining the liability that will be due when the employees are eligible for deferred compensation benefits.

NOTE 4: CAPITAL ASSETS

The changes in components of property, plant and equipment in 2006 were as follows:

	<u>Balance at</u> <u>12/31/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>12/31/06</u>
Machinery and equipment	\$ 1,237,126	\$ 52,734	\$ (161,994)	\$ 1,127,866
Leasehold improvements	5,381,648	39,599	(968,710)	4,452,537
Playing field	<u>922,782</u>	<u>-</u>	<u>-</u>	<u>922,782</u>
Total capital assets:	<u>7,541,556</u>	<u>92,333</u>	<u>(1,130,704)</u>	<u>6,503,185</u>
Less accumulated depreciation:				
Machinery and equipment	(1,141,497)	(42,805)	161,994	(1,022,308)
Leasehold improvements	(3,672,964)	(261,115)	968,710	(2,965,369)
Playing field	<u>(644,114)</u>	<u>(92,278)</u>	<u>-</u>	<u>(736,392)</u>
Total accumulated depreciation	<u>(5,458,575)</u>	<u>(396,198)</u>	<u>1,130,704</u>	<u>(4,724,069)</u>
Total capital assets, net	<u>\$ 2,082,981</u>	<u>\$(303,865)</u>	<u>\$ -</u>	<u>\$ 1,779,116</u>

Depreciation expense was \$396,198 for the year ended December 31, 2006.

NOTE 5: CONCESSIONS CONTRACT

On March 1, 2001 the Stadium entered into a contract with Sodexo Marriott to operate the concession stands. The original agreement was for a four-year period, but contains provisions for an annual review and analysis of operations. The contract was extended for 2006.

The concessions revenue for 2006 consists of commissions received from Sodexo of \$908,550.

FRANKLIN COUNTY STADIUM AND COLUMBUS BASEBALL TEAM, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 6: TRANSACTIONS WITH AFFILIATES

The Stadium leases Cooper Stadium from the Franklin County Commissioners (the Commissioners) for a fee of \$1.00 per year plus an amount to be jointly agreed upon by the Board and the Commissioners. Additional rent is based upon the availability of unexpended revenue and considering monies expended by the Stadium and Team for maintenance and improvements to Cooper Stadium. The lease expense was \$1.00 for 2006. The lease is for an indefinite term, but must be renewed each year. The Stadium subleases Cooper Stadium to the Team.

NOTE 7: PLAYER DEVELOPMENT CONTRACTS/BASEBALL AGREEMENT

In January 1999, the National Association of Professional Baseball Leagues (the Minor Leagues) signed an agreement (the baseball agreement) with the National League of Professional Baseball Clubs and the American League of Professional Baseball Clubs (collectively the Major Leagues), which is effective through September 30, 2007, subject to modification by either party after the 2003 season. The terms of the baseball agreement modified the Team's player development contract with the Major Leagues. Under the terms of the baseball agreement, the Major League Club is responsible for the players' hotel and travel costs, uniform and equipment cost and other partial costs are designated in the contract.

The baseball agreement requires payment from the Minor Leagues to the Major Leagues for maintenance of the player development contracts, in an amount equal to a percentage of the Minor League's Clubs' net championship season ticket revenue. In 2006, each Minor league team paid 5.0% of the net championship season ticket revenue.

The Team had an operating contract with the New York Yankees Baseball Club through September 2006. As of October 1, 2006, a new contract was signed with the Washington Nationals Baseball Club, which will run through September 2008.

NOTE 8: ACCOUNTABILITY AND COMPLIANCE

Prior Period Adjustment

The Team restated 2005 net assets due to prior period adjustments needed to correct errors. Previously, no liability was recorded for deferred compensation payable to key employees (See NOTE 3). Certain cash surrender values related to insurance policies funding the aforementioned deferred compensation plans were also not recorded in previous years. The corrections were as follows:

Cash surrender value increase of \$146,376
Unrestricted net assets decrease of \$258,760
Deferred compensation liability increase of \$405,136

FRANKLIN COUNTY STADIUM AND COLUMBUS BASEBALL TEAM, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 9: SPONSORSHIP AGREEMENTS

In October 2006 the Team as agent for the Stadium, entered into four sponsorship agreements for the new stadium, Huntington Park. The agreements are with Huntington National Bank, Nationwide Mutual Insurance Co., The Dispatch Printing Co., and Nationwide Realty Investors. Amounts related to 2006 are presented in the financial statements as unearned revenue. The agreements stipulate that the Team must reimburse the sponsors for 1/20th of the monies for each season the Team does not play baseball. According to the agreements future amounts will be paid to the Stadium as follows:

	Huntington National Bank	Nationwide Insurance	Dispatch Printing	Nationwide Realty	Totals
2007	\$ 2,000,000	\$ 400,000	\$ 1,200,000	\$ 360,000	\$ 3,960,000
2008	2,000,000	400,000	1,200,000	360,000	3,960,000
2009	350,000	125,000	150,000	40,000	665,000
2010	350,000	125,000	150,000	40,000	665,000
2011	350,000	125,000	150,000	40,000	665,000
2012-2028	<u>5,950,000</u>	<u>2,125,000</u>	<u>2,550,000</u>	<u>680,000</u>	<u>11,305,000</u>
Totals	<u>\$ 11,000,000</u>	<u>\$ 3,300,000</u>	<u>\$ 5,400,000</u>	<u>\$ 1,520,000</u>	<u>\$ 21,220,000</u>

An Agency Agreement between the Team as agent for the Stadium and the County was signed February 1, 2006. All amounts received by the Stadium related to the sponsorship agreements are immediately transferred to Franklin County for stadium construction. Prepaid expenses for Huntington Park include amounts related to the stadium construction project and sponsor revenue transferred to the County. The prepaid expenses will not be amortized as expense until the related revenue is earned when the Team begins playing in the new stadium.

Rea & Associates, Inc.

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We're Ready For Your Future

April 26, 2007

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Franklin County Stadium and Columbus Baseball Team, Inc.

We have audited the combined financial statements of Franklin County Stadium, Inc. (the Stadium) and Columbus Baseball Team, Inc. (the Team) as of and for the year ended December 31, 2006, and have issued our report thereon dated April 26, 2007. 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 Stadium's and Team's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Stadium's internal control over financial reporting. Accordingly, we do not express an opinion the effectiveness of the Stadium's and Team's internal control over financial reporting.

A control deficiency exists when the design of operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Stadium or Team's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Stadium or Team's financial statements that is more than inconsequential will not be prevented or detected in the Stadium or Team's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Stadium or Team's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting and its operation that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Stadium and Team in a separate letter dated April 26, 2007.

Franklin County Stadium and Columbus Baseball Team, Inc.
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
April 26, 2007

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village'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*.

This report is intended solely for the information and use of the Board of Directors, management the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specific parties.

Rea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

**FRANKLIN COUNTY STADIUM, INC. AND
COLUMBUS BASEBALL TEAM, INC.**

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 17, 2007**