The Franklin County Convention Facilities Authority

Financial Statements for the Years Ended December 31, 2001 and 2000 and Independent Auditors' Report

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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The Franklin County Convention Facilities Authority

We have reviewed the Independent Auditor's Report of The Franklin County Convention Facilities Authority, Franklin County, prepared by Deloitte & Touche LLP for the audit period January 1, 2001 through December 31, 2001. 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 County Convention Facilities Authority is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

July 3, 2002

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INDEPENDENT AUDITORS' REPORT

To The Franklin County Convention Facilities Authority
Columbus, Ohio:

We have audited the accompanying combining balance sheets of The Franklin County Convention Facilities Authority (the "Authority") as of December 31, 2001 and 2000, and the related combining statements of revenues, expenses and changes in retained earnings, and combining statements of cash flows for the years then ended. These financial statements are the responsibility of the Authority'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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority at December 31, 2001 and 2000, and the results of its combined operations and its combined cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 1 that were applied to restate the 2000 financial statements to give retroactive effect to the change in the method of accounting for the adoption of GASB No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2002, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

DELOITTE & TOUCHE LLP

April 26, 2002

THE FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY

COMBINING BALANCE SHEETS, DECEMBER 31, 2001 AND 2000

	2001			2000		
ASSETS	**Operating Fund**	**Capital Fund**	**Total**	**Operating Fund**	**Capital Fund**	**Total**
CASH	$ 56,416	$ 45,924	$ 102,340	$ 45,512	$ 155,261	$ 200,773
INVESTMENTS, INCLUDING $21,686,713 AND $21,811,361 IN 2001 AND 2000, RESPECTIVELY, OF RESTRICTED ASSETS IN THE CAPITAL FUND	3,798,178	24,821,934	28,620,112	5,901,177	33,633,923	39,535,100
RECEIVABLES:						
Hotel/motel excise taxes		1,716,331	1,716,331		1,872,162	1,872,162
Lease receivable		1,029,369	1,029,369		1,068,144	1,068,144
Interest		54,889	54,889		83,036	83,036
SMG	665,120		665,120	1,046,254		1,046,254
Other					604,526	604,526
Total receivables	665,120	2,800,589	3,465,709	1,046,254	3,627,868	4,674,122
PREPAID EXPENSES AND OTHER	66,005	1,026,240	1,092,245	90,864	1,076,940	1,167,804
FUNDS HELD IN ESCROW		439,814	439,814		2,708,693	2,708,693
PROPERTY, PLANT AND EQUIPMENT - Net	10,907	198,658,862	198,669,769	12,726	195,210,330	195,223,056
TOTAL	$4,596,626	$ 227,793,363	$ 232,389,989	$7,096,533	$ 236,413,015	$ 243,509,548
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Accounts payable	$ 52,674	$ 1,214,381	$ 1,267,055	$ 6,671	$ 3,441,754	$ 3,448,425
Interest payable		622,830	622,830		628,984	628,984
Accrued liabilities and other	106,815	980,321	1,087,136	95,743	848,900	944,643
Contractor escrow		439,814	439,814		2,708,693	2,708,693
Bonds payable - net		163,800,546	163,800,546		167,392,448	167,392,448
Total liabilities	159,489	167,057,892	167,217,381	102,414	175,020,779	175,123,193
FUND EQUITY:						
Contributed capital		29,997,684	29,997,684		29,997,684	29,997,684
Retained earnings:						
Reserved	103,000	35,847,521	35,950,521	79,000	34,826,407	34,905,407
Unreserved	4,334,137	(5,109,734)	(775,597)	6,915,119	(3,431,855)	3,483,264
Total retained earnings	4,437,137	30,737,787	35,174,924	6,994,119	31,394,552	38,388,671
Total fund equity	4,437,137	60,735,471	65,172,608	6,994,119	61,392,236	68,386,355
TOTAL	$4,596,626	$ 227,793,363	$ 232,389,989	$7,096,533	$ 236,413,015	$ 243,509,548

See notes to combining financial statements.

THE FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001			2000		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
OPERATING REVENUE:						
Hotel/motel excise tax	$ 773,175	$12,135,327	$12,908,502	$ 2,355,825	$10,899,534	$13,255,359
Interest earnings	227,614	1,154,388	1,382,002	353,746	1,406,288	1,760,034
Net increase in fair value of investments		29,665	29,665		334,239	334,239
Lease rent		1,273,279	1,273,279		1,211,894	1,211,894
Miscellaneous	389,150	51,040	440,190	348,192	4,700	352,892
Total operating revenue	1,389,939	14,643,699	16,033,638	3,057,763	13,856,655	16,914,418
OPERATING EXPENSES:						
Interest	21	9,110,466	9,110,487	421	6,567,720	6,568,141
Salaries, vacation, sick and personal leave expense	296,176		296,176	273,320		273,320
Facility operations	389,018		389,018	33,724		33,724
Professional fees	336,597		336,597	116,826		116,826
Insurance	204,247	47,618	251,865	175,281	38,372	213,653
Retirement and payroll taxes	61,885		61,885	54,964		54,964
Rent	1,249		1,249			
Advertising	25,703		25,703	2,202		2,202
Travel	8,627		8,627	6,000		6,000
Office	22,255		22,255	4,391		4,391
Depreciation	1,819	7,390,293	7,392,112	2,957	5,388,690	5,391,647
Telephone	4,191		4,191	3,436		3,436
Property tax	7,389		7,389	8,691		8,691
Miscellaneous	110,244		110,244	40,359		40,359
Total operating expenses	1,469,421	16,548,377	18,017,798	722,572	11,994,782	12,717,354
OPERATING INCOME (LOSS)	(79,482)	(1,904,678)	(1,984,160)	2,335,191	1,861,873	4,197,064
TRANSFERS IN (OUT)	(2,477,500)	2,477,500		(1,438,909)	1,438,909	
NONOPERATING EXPENSE:						
Contributed capital relinquished under option agreement		829,587	829,587			
Contribution for the construction of roadway		400,000	400,000			
Total nonoperating expenses		1,229,587	1,229,587			
NET INCREASE (DECREASE) IN RETAINED EARNINGS	(2,556,982)	(656,765)	(3,213,747)	896,282	3,300,782	4,197,064
RETAINED EARNINGS AT BEGINNING OF YEAR	6,994,119	31,394,552	38,388,671	6,097,837	28,093,770	34,191,607
RETAINED EARNINGS AT END OF YEAR	$ 4,437,137	$30,737,787	$35,174,924	$ 6,994,119	$31,394,552	$38,388,671

See notes to combining financial statements.

THE FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY

COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001			2000		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating income (loss)	$ (79,482)	$ (1,904,678)	$ (1,984,160)	$ 2,335,191	$ 1,861,873	$ 4,197,064
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:						
Depreciation	1,819	7,390,293	7,392,112	2,957	5,388,690	5,391,647
Amortization of bond and note issuance costs		17,139	17,139		28,211	28,211
Accretion of discount on bonds payable		2,450,959	2,450,959		2,592,764	2,592,764
Amortization (accretion) of discount/premium		13,842	13,842		(232,157)	(232,157)
Net decrease in fair value of investments		(29,664)	(29,664)		(334,239)	(334,239)
(Increase) decrease in hotel/motel excise taxes receivable		155,831	155,831		(98,862)	(98,862)
Decrease in lease receivable		38,775	38,775		185,853	185,853
Decrease in interest receivable		28,147	28,147		257,213	257,213
Decrease (increase) in receivable from SMG	381,134		381,134	(348,097)		(348,097)
(Increase) decrease in other receivables		604,526	604,526		(604,526)	(604,526)
(Increase) decrease in prepaid expenses and other	24,859	50,700	75,559	(28,270)	50,707	22,437
(Increase) decrease in accounts payable	46,003	(2,227,371)	(2,181,368)	(4,921)	1,702,576	1,697,655
Decrease in accrued interest payable		(6,154)	(6,154)		(1,157)	(1,157)
Increase (decrease) in accrued liabilities and other	11,072	131,421	142,493	(6,449)	834,178	827,729
Net cash provided by operating activities	385,405	6,713,766	7,099,171	1,950,411	11,631,124	13,581,535
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in (out)	(2,477,500)	2,477,500		(1,438,909)	1,438,909	
Net cash (used for) provided by noncapital financing activities	(2,477,500)	2,477,500		(1,438,909)	1,438,909	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital expenditures for property, plant and equipment		(10,835,035)	(10,835,035)		(43,754,686)	(43,754,686)
Contribution for the construction of roadway		(400,000)	(400,000)			
Capitalized interest		(833,379)	(833,379)		(2,115,561)	(2,115,561)
Payments of bonds		(6,060,000)	(6,060,000)		(4,625,000)	(4,625,000)
Net cash used by capital and related financing activities		(18,128,414)	(18,128,414)		(50,495,247)	(50,495,247)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from maturities of investment securities		8,827,811	8,827,811		37,500,728	37,500,728
Net purchases of short-term investment securities	2,102,999		2,102,999	(579,578)		(579,578)
Net cash provided by (used for) investing activities	2,102,999	8,827,811	10,930,810	(579,578)	37,500,728	36,921,150
NET INCREASE (DECREASE) IN CASH	10,904	(109,337)	(98,433)	(68,076)	75,514	7,438
CASH AT BEGINNING OF YEAR	45,512	155,261	200,773	113,588	79,747	193,335
CASH AT END OF YEAR	$ 56,416	$ 45,924	$ 102,340	$ 45,512	$ 155,261	$ 200,773

See notes to combining financial statements.

1. BACKGROUND INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization **-** The Franklin County Convention Facilities Authority (the "Authority") was established by the Board of County Commissioners of Franklin County, Ohio on July 12, 1988. The Authority is exempt from Federal corporate income taxes. The Authority was formed to acquire, construct, equip, and operate a convention center, and entertainment and sports facilities in Columbus, Ohio.

The Authority levies an excise tax on hotels and motels in the amount of 4% of each transaction occurring within the boundaries of Franklin County, Ohio and an additional excise tax in the amount of .9% of each transaction occurring within the municipal limits of Columbus located within the boundaries of Franklin County. The Columbus City Auditor administers and collects these excise taxes on behalf of the Authority. The Columbus City Auditor remits taxes collected to the Authority's trustee on a monthly basis. The trustee allocates monthly tax revenues to the capital fund and operating fund based upon the terms of the Bond Indenture.

Significant Accounting Policies **-** The significant accounting policies followed in preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Authority also applies the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, to the extent that they do not contradict or conflict with GASB pronouncements. The preparation of financial statements in conformity with GAAP 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 reporting period. Actual results could differ from those estimates.

Proprietary Fund **-** The Authority operates as an enterprise fund. Enterprise funds are used to account for the costs of providing goods or services to the general public on a continuing basis which are financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fund Accounting **-** The accounts of the Authority are maintained in accordance with the principles of "Fund Accounting" in order to reflect limitations and restrictions placed on the use of available resources. The following fund types are used by the Authority:

Operating Fund **-** The operating fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

The fund balance of the operating fund is available to the Authority for any purpose, provided it is expended or transferred according to the Authority's regulations.

Capital Fund **-** The capital fund is used to account for financial resources used for the acquisition, development or construction of the facility, as well as the accumulation of resources for, and the payment of, capital debt principal, interest and related costs.

Accrual Basis **-** The financial statements of the Authority have been prepared on the accrual basis. Accordingly, revenue is recognized when earned or for derived tax revenue, when the exchange transaction on which the tax is imposed occurs. Expenses are recorded as incurred. Differences between amounts earned and received are shown as receivables. Differences between expenses incurred and paid are shown as liabilities.

Cash **-** For purposes of the combining statement of cash flows, cash includes demand and time deposits with original maturities less than three months.

Funds Held in Escrow **-** At December 31, 2001 and 2000, various short-term investments and cash balances amounting to $439,814 and $2,708,693, respectively, were held in contractor escrow accounts on deposit with the trustee.

Property, Plant and Equipment **-** Office equipment is capitalized at cost in the operating fund; construction costs (including capitalized interest) and improvements are recorded at cost in the capital fund. Completed facilities are transferred from construction in progress to the appropriate category. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 40 years.

Bond Discount and Premium **-** The bond discount and premium are being accreted or amortized over the life of the bond issue using the level yield method.

Bond Issuance Costs **-** Costs relating to issuing bonds are netted against the outstanding bonds, as a liability valuation account, and are amortized using the straight-line method, which does not differ materially from the level yield method, over the life of the bond issue.

Deferred Loss on Advanced Refunding **-** Deferred loss on the advance bond refunding is netted against the outstanding bonds, as a liability valuation account, and is being amortized using the straight-line method over the life of the refunded bond.

Nonexchange Transactions **-** Effective January 1, 2001, the Authority implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB Statement No. 36, *Recipient Reporting for Certain Nonexchange Revenues* (an amendment of GASB No. 33). In general, GASB Nos. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return.

The principal change in accounting that resulted from GASB Statement No. 33 is the requirement that the Authority cease its practice of closing depreciation expense recognized on assets funded through contributed capital. As required under GASB Statement No. 33, the Authority has retroactively restated its general purpose financial statements as of and for the year ended December 31, 2000 for the change which increased the Authority's contributed capital approximately $1.8 million and increased its retained earnings by a corresponding amount. The accounting change had no impact on the Authority's total equity or net loss.

Newly Issued Accounting Pronouncements **-** GASB recently issued Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* No. 37*, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus,* and No. 38, *Certain Financial Statement Note Disclosures*. The Authority has not elected early implementation of these statements in 2001. The Authority is required to implement GASB Statement No. 34 by 2003. The Authority has not completed the process of evaluating the impact of adopting these statements, and therefore is unable to disclose the impact that adopting these statements will have on its financial position and the results of operations when such statements are implemented.

2. CASH AND INVESTMENTS

Deposits **-** At December 31, 2001 and 2000, the carrying amount of the Authority's deposits were $102,340 and $200,773, respectively, and the bank balances were $120,807 and $649,650, respectively. All bank balances were covered by Federal depository insurance at December 31, 2001. Of the bank balances at December 31, 2000, $152,673 was covered by Federal deposit insurance, and $496,977 was uninsured but collateralized by pools of securities pledged by the depository bank and held in the name of the respective bank.

Investments **-** In accordance with GASB Statement No. 31, investments are carried at fair value. The Ohio Revised Code authorizes the Authority to invest in bonds, notes and other obligations of the United States, its instrumentalities and agencies, the state of Ohio, political subdivisions of the state of Ohio, and other investments as permitted by trust agreements. It is management's policy to invest in the State Treasury Asset Reserve of Ohio (STAROhio), government securities, and money market mutual funds. 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 SEC as an investment company, but does operate in a manner consistent with Rule 2a7 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, 2001 and 2000. It is management's intent to hold all investments until maturity.

As of December 31, 2001 and 2000 the Authority held the following investments:

	2001	
	Fair Value	
	Operating Fund	Capital Fund
STAROhio	$3,798,178	$22,187,592
U.S. Treasury notes and bonds		2,634,342
Total	$3,798,178	$24,821,934

	2000 Fair Value	
	Operating Fund	Capital Fund
STAROhio	$5,901,177	$25,839,587
U.S. Treasury notes and bonds		7,794,336
Total	$5,901,177	$33,633,923

All United States government securities are uninsured and unregistered and held by the Authority's trustee in the name of the trustee. STAROhio Investments do not have to be categorized for GASB No. 3 purposes.

Cash and investments in the operating fund in the amount of $103,000 and $79,000 were restricted at December 31, 2001 and 2000, respectively, under the terms of the Bond Indenture, and may by used only in the event that the Authority does not have sufficient funds available to pay property insurance premiums when due.

As further discussed in Note 5, a portion of investments in the capital fund are restricted for debt service.

3. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment at December 31 is as follows:

	2001		2000	
	Operating Fund	Capital Fund	Operating Fund	Capital Fund
Building and improvements		$ 189,504,472		$ 128,029,475
Major building equipment		9,423,860		9,423,860
Land		32,428,682		33,258,270
Parking lot		1,144,557		1,144,557
Equipment and furnishings	$ 33,045	4,820,945	$ 33,045	4,001,050
Improvements other than building		1,070,971		1,070,971
Construction in progress		1,766,849		52,393,330
Total	33,045	240,160,336	33,045	229,321,513
Less accumulated depreciation	(22,138)	(41,501,474)	(20,319)	(34,111,183)
Property, plant and equipment, net	$ 10,907	$ 198,658,862	$ 12,726	$ 195,210,330

Interest costs incurred during 2001 were $10,009,756 of which $899,290 has been capitalized. During 2000 interest costs of $10,074,076 were incurred of which $3,506,356 was capitalized.

4. BONDS PAYABLE

Bonds outstanding at December 31, 2001 and 2000 are as follows:

Type	Interest Rate	Maturity	Amount 2001	Amount 2000
Refunded Term/92	5.8% and 5.85%	2013 and 2019	$ 56,585,000	$ 56,585,000
Refunded Term/Series 97	5%	2017 and 2027	61,600,000	61,600,000
Refunded Serial/92	5.4% to 5.8%	2002 to 2006	1,575,000	1,845,000
Refunded Serial/97	4.2% to 5%	2002 to 2012	20,875,000	22,310,000
Zero Coupon		2002 to 2010	39,195,000	43,550,000
Total			179,830,000	185,890,000
Less:				
Unamortized discount			(14,744,705)	(17,147,485)
Unamortized issuance costs			(369,348)	(386,487)
Unamortized deferred loss			(915,401)	(963,580)
Total			$ 163,800,546	$ 167,392,448

Interest on the term and serial bonds is payable semiannually on June 1 and December 1. Interest is accreted on the zero coupon bonds semiannually on June 1 and December 1, to provide yields of 6.90% to 7.15% at maturity. Interest has been accrued on all bonds through December 31, 2001. Bonds mature on December 1 in the years set forth above.

On January 6, 1998, the Authority issued $84,000,000 of tax and lease revenue anticipation bonds with an average interest rate of 5.0%, in part to advance refund $8,005,000 of outstanding 2020 term bonds with an average interest rate of 6%. The net proceeds of $82,859,082 (after payment of $1,140,918 in underwriting fees, insurance, and other issuance costs) provided for a deposit of $8,220,336 into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2020 term bonds. As a result, the 2020 term bonds are considered to be defeased and the liability for those bonds has been removed from the bonds payable balance.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,108,117. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2020 using the straight-line method. The Authority completed the advance refunding to reduce its total bond payments over the next 22 years by $853,298 and to obtain an economic gain (difference between the present values of the old and new bond payments of $501,205).

The principal payment obligations related to all bond indebtedness for the five-year period commencing January 1, 2001 and thereafter, including the effect of the refunding, are as follows:

2002	$ 6,130,000
2003	6,215,000
2004	6,300,000
2005	6,385,000
2006	6,475,000
Thereafter	148,325,000
Total	$179,830,000

All term bonds are callable at the option of the Authority commencing December 1, 2002 at prescribed redemption prices plus accrued interest.

Excise taxes and rents collected after the issuance date of the bonds, to the extent these taxes and rents are necessary to satisfy debt service requirements, are appropriated for principal and interest payments due and payable until the bonds are fully retired on December 1, 2027. The Bond Indenture grants a first lien on the excise tax and rent revenues, moneys and investments in the capital fund. These amounts are included as hotel/motel excise taxes receivable, investments, and interest receivable in the capital fund and all debt related accounts are therefore restricted accounts.

5. DEBT SERVICE RESERVES

In accordance with the Bond Indenture, the debt service reserve fund and the rental reserve fund are special trust funds created to provide for the payment of bond principal and interest in the event the amount in the debt service fund is insufficient. The Bond Indenture prescribes the amounts to be placed into these special trust funds as well as minimum reserve balances to be maintained in each. These reserves, which are part of investments in the capital fund, were as follows at December 31:

	2001		2000	
	Reserve Balance	Required Reserve	Reserve Balance	Required Reserve
Debt service fund	$ 1,136,098	$ 1,133,662	$ 1,179,714	$ 1,134,398
Debt service reserve fund	13,731,483	13,612,778	13,763,968	13,612,778
Rental reserve fund	6,819,132	6,806,389	6,867,679	6,806,389
Total	$21,686,713	$21,552,829	$21,811,361	$21,553,565

The Authority monitors arbitrage rebate compliance in accordance with Internal Revenue Code Section 148(f).

Additionally, in accordance with lease and sublease agreements between the Authority and the City of Columbus and Franklin County, the City and County will provide necessary funds for the payment of bond principal and interest if the rental reserve and debt service reserve funds are depleted. These amounts are subject to annual appropriation by the City and County. As an additional precaution, the lease with the City and County provides for the application of Convention and Visitors Bureau Taxes levied and collected by the City to deficiencies in debt service payments after the rental reserve fund has been depleted.

6. CONTRIBUTED CAPITAL

At December 31 contributed capital consisted of the following:

	2001	2000
Funds received for capital assets/The Limited, Inc. in 1988	$ 236,031	$ 236,031
The South Facility received from GCCC in 1996	31,565,575	31,565,575
Cash restricted for land acquisition in 1998	1,438,722	1,438,722
Cash restricted for land acquisition in 1999	283,855	283,855
Land received from the City of Columbus in 1999	2,012,324	2,012,324
Total	35,536,507	35,536,507
Less: Accumulated amortization	(5,538,823)	(5,538,823)
Total	$29,997,684	$29,997,684

The Authority had a total of approximately 10.2 acres of land ("arena land") which can be purchased by Nationwide Arena LLC ("Nationwide") and Nationwide Realty Investors, Ltd. ("NRI") for $10 million and the relinquishment of the contributed capital given for land acquisition (credit), adjusted for CPI at the time of purchase of the land. Arena land includes property received from the City of Columbus for corresponding vacated street right of ways. Capitol South

Community Urban Redevelopment Corporation ("Capitol South"), a not-for-profit corporation, leases this land from the Authority, and subleases the arena land to Nationwide who constructed a multi-purpose arena and related facilities pursuant to terms of an Option Agreement between the Authority, Nationwide and NRI dated December 17, 1998 and related amendments. The lease with Capitol South commenced December 1998. Rent commenced on September 7, 2000 for a term of 40 years. Base rent equals $150,000 a year for year 1-10, $165,000 a year for years 11-25 and $165,000 plus inflation thereafter. Additional rent as defined is also due. Rental revenue earned related to this lease was $150,000 and $50,000 as of December 31, 2001 and 2000, respectively. Contributed capital from Capitol South of $1,438,722 and $283,855 was received during 1998 and 1999, respectively, in the form of cash for arena land acquisition. These payments provided a credit for future arena land purchases by Nationwide of $1,722,577.

During 2001, Nationwide and NRI exercised their option under terms of the Option Agreement and purchased .6 of an acre of arena land from the Authority, reducing credit for future arena land purchases to $1,081,134 (based upon calculation requirements provided for in the Option Agreement). The value of city contributed land not included in the Option Agreement calculation was previously recorded in contributed capital and the purchase of this property resulted in the recording of nonoperating expense to the Authority of $829,589.

7. CONTRIBUTION FOR THE CONSTRUCTION OF ROADWAY

Nationwide Realty Investors, Ltd., as developer and agent for Nationwide Arena, LLC and the City of Columbus have entered into the Capital Improvements Project Reimbursement Agreement for Neil Avenue Capital Improvements Project. As part of the agreement regarding the construction of the Convention Center Way, which is a component of the work under the Neil Avenue agreement, the Authority agreed to pay for $400,000 of the cost to design and construct the roadway with $175,000 being due at September 1, 2001 and $75,000 being due on September 1, 2002, 2003 and 2004.

8. FACILITY OPERATOR AGREEMENTS

The Authority has a Management Agreement with SMG for facility management, operations and marketing of the convention center for the period April 1, 1997 through December 31, 1999, which has been renewed through December 31, 2001. As base compensation for providing these services, SMG will receive the following:

1998	$250,000
1999	$225,000
2000 and 2001	Based upon prior year adjusted for CPI as defined ($238,700 and $230,850 at December 31, 2001 and 2000, respectively)

SMG is also entitled to annual quantitative and qualitative incentive fees, as defined, with respect to each fiscal year. The quantitative incentive fee is based on the greater of 15% of the expense reduction, as defined, or 30% of any revenue increase, as defined. However, the quantitative incentive fee may not exceed 80% of the fixed fee payable as discussed above and may not be paid if the Net Operating Profit/Loss, as defined, exceeds the Net Operating Profit/Loss Benchmark, as defined. The Net Operating Profit/Loss Benchmark is based on the prior year's facility operating results. The qualitative incentive fee cannot exceed 20% of the fixed fee payable as discussed above and is based on various defined criteria including but not limited to client satisfaction exit surveys, community involvement of operator personnel, quality maintenance and operation of the facilities and compliance with the terms of the management agreement. In 2001 and 2000, the Authority expensed SMG fees of $477,400 and $452,644, respectively, of which $238,700 and $221,794 was accrued at December 31, 2001 and 2000, respectively.

In accordance with the terms of the Management Agreement, the Authority is required to provide the operator certain operating funds, as defined, sufficient to meet one quarter's operating expenses plus maintain a $400,000 cash flow reserve fund (or other such amount mutually agreed upon). At December 31, 2001 and 2000, the Authority has not been required to advance any funds to the operator to establish this reserve.

SMG is required to provide $90,000 annually to the facility for capital improvements. The title to the improvements will be transferred to the Authority upon termination of the Agreement. At termination of the agreement the Authority is required to pay SMG for any unamortized balance on these improvements.

On March 31, 1997, the Authority and SMG entered into a Marquee and Advertising Rights Agreement whereby SMG will provide a capital contribution up to $300,000 for Marquee systems (as defined) in exchange for exclusive rights to provide advertising on these systems. Advertising income generated will be remitted 100% to SMG up to its capital contribution and 50% to SMG, 50% to the Authority thereafter. No income has been earned or remitted to the Authority under this agreement as of December 31, 2001.

In 1998 Hyatt, a lessor (see Note 8), acquired a 50% ownership of SMG.

At December 31, 2001 and 2000, amounts receivable from the operations of the convention center were $665,120 and $1,046,254, respectively.

9. CONVENTION FACILITIES TRANSFER AGREEMENT

On November 27, 1996 the Authority entered into a Master Lease Agreement with the City of Columbus (the "City") which created leasehold estate interests for certain property, plant, and equipment (the "South Facility"), the site of this facility, and the Hotel CURC lease (the "Hyatt") lease.

Hyatt lease revenue is comprised of monthly minimum rentals in addition to annual cash distributions from the Hyatt if the Hyatt meets certain targets for cash flow (as defined). Minimum rent was $31,250 per quarter for 2001 and 2000. Additional lease revenue of $998,279 and $1,036,894, respectively, was owed to the Authority at December 31, 2001 and 2000. Additionally, SMG recorded revenues of $895,000 and $832,000 in 2001 and 2000, respectively, from Ohio Center Hotel Company, LTD. (an affiliate of Hyatt) (primarily from utilities, parking and meeting space).

Additionally, the Authority owns all rights, title and interest in, to and under any and all leases, tenancy or occupancy agreements affecting the South Facility premises, as well as all security deposits and guarantees. These leases are retail leases with various rental terms. The retail lease revenue is recognized by the operators of the facility in accordance with the operating method.

10. VACATION, SICK LEAVE AND PERSONAL LEAVE

Authority employees are granted vacation, sick leave, and personal leave at amounts which vary by length of service. In the event of termination, employees are reimbursed for accumulated vacation, sick leave, and personal leave at the employee’s current wage or a portion thereof.

Vacation, sick leave, and personal leave earned by the Authority’s employees have been recorded in the operating fund. The Authority calculates sick leave based on the termination method. Payment of vacation, sick leave, and personal leave is dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that payment of vacation and sick leave will not have a material adverse impact on the availability of the Authority’s cash balances.

11. RETIREMENT PLAN

Plan Description **-** All full time employees of the Authority are eligible to participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system. PERS provides retirement and disability benefits, annual cost-of-living adjustments, health care benefits, and death benefits to plan members and beneficiaries. PERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS (7377).

Funding Policy **-** The Authority and covered employees contribute at actuarially determined rates for 2001, 13.55% and 8.5%, respectively, of covered employee payroll to PERS. The Authority’s contributions to PERS for the years ended December 31, 2001, 2000 and 1999 were $35,209, $27,119 and $33,702, respectively. The employees’ contributions to PERS for the years ended December 31, 2001, 2000 and 1999 were $22,087, $21,502 and $21,142, respectively. Required contributions are equal to 100% of the dollar amount billed.

PERS also provides postretirement health care coverage (OPEB) to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer’s contribution to PERS is set aside for the funding of post retirement health care. Of the 13.55% 2001 employer contribution, 4.3% was used to fund health care in 2001 and 2000. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB is financed through employer contributions and investment earnings. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. The number of active contributing participants was 411,076 as of December 31, 2001. The portion of the above employer contribution for December 31, 2001 that was used to fund postemployment benefits was $11,172. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2001 was $11,736 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $14,365 million and $2,629 million, respectively.

12. RISK MANAGEMENT

During the year the Authority is subjected to certain types of risks in the performance of its normal functions. They include risks that the Authority might be subjected to by its employees in the performance of their normal duties. The Authority manages these types of risks through commercial insurance. The amount of settlements have not exceeded insurance coverage for each of the past three fiscal years. There has not been a significant reduction of coverage since the prior year in any of the major categories of risk.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
The Franklin County Convention Facilities Authority:

We have audited the financial statements of The Franklin County Convention Facilities Authority (the "Authority"), as of and for the year ended December 31, 2001, and have issued our report thereon dated April 26, 2002. 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.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards.*

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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.

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

DELOITTE & TOUCHE LLP

April 26, 2002

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FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY

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 30, 2002