

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2019**



**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY  
FRANKLIN COUNTY  
DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Franklin County Convention Facilities Authority  
Franklin County  
400 North High Street, 4<sup>th</sup> Floor  
Columbus, Ohio 43215

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities and each major fund of the Franklin County Convention Facilities Authority, Franklin County, Ohio (the Authority), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Franklin County Convention Facilities Authority, Franklin County, Ohio, as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 18 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2020, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

May 11, 2020

Franklin County Convention Facilities Authority  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the Franklin County Convention Facilities Authority (herein referred to as the Authority) and an introduction to the Authority's basic financial statements for the year ended December 31, 2019. The information contained in this MD&A should be considered in conjunction with information presented in the Authority's basic financial statements and corresponding notes to the basic financial statements.

## **OVERVIEW OF THE AUTHORITY**

The Authority is a public authority responsible for the development and operation of the Greater Columbus Convention Center and adjacent parking facilities (herein referred to as Convention Center), the Hilton Columbus Downtown (herein referred to as Hilton Hotel) and Nationwide Arena (herein referred to as Arena) in Columbus, Ohio. As owner/developer of the Convention Center, Hilton Hotel and Arena, the Authority is responsible for the development, construction, improvement, management and successful operation of these facilities and related properties. In addition, the Authority is responsible for ensuring the continued success and growth of the convention market within the Greater Columbus community. These responsibilities are directly linked to the Authority's continued investment in and support of services, resources, facilities and projects that enhance the use of the Convention Center and expand convention activity within the community.

## **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The Authority's basic financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). The financial information of the Authority is accounted for in three separate proprietary (enterprise) funds to better reflect limitations and restrictions placed on the use of available resources. The Arena Fund is used to account for financial resources used for the acquisition and capital improvement of the Arena, as well as the accumulations of resources for, and the payment of capital debt principal, interest and related costs. The Hotel Fund is used to account for financial resources used for the development and construction of the Hilton Hotel, as well as the accumulations of resources for, and the payment of capital debt principal, interest and related costs. The Convention Center Fund is used to account for financial resources used for the acquisition, development and construction of the Convention Center, as well as the accumulations of resources for, and the payment of capital debt principal, interest and related costs. The Convention Center Fund is used to account for all financial resources and expenses of the Authority except those required to be accounted for in the Hotel Fund and the Arena Fund.

Following this MD&A, are the basic financial statements of the Authority together with notes, which are essential to a full understanding of the data contained in the basic financial statements. The basic financial statements for the Authority are the following:

- Statement of Net Position – This statement presents information on all Authority assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position.
- Statement of Revenues, Expenses and Changes in Net Position - This statement shows how the Authority's net position has changed during the most recent year. This includes operating and non-operating revenues and expenses of the Authority.

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- Statement of Cash Flows – This statement reports cash and cash equivalent activities for the fiscal year resulting from operating, non-capital financing, capital financing and investing activities. A reconciliation of operating income with net cash provided by (used for) operating activities is provided.

**FINANCIAL POSITION OF THE AUTHORITY**

The following represents the Authority's financial position within the Convention Center Fund for the years ended December 31:

	<b>Convention Center Fund</b>		
	2018	2019	Increase (Decrease) over/ (under) 2018
Current and other assets	\$ 66,122,484	\$ 62,471,652	\$ (3,650,832)
Capital assets, Net	301,009,321	304,934,049	3,924,728
Total assets	<u>367,131,805</u>	<u>367,405,701</u>	<u>273,896</u>
Deferred outflows of resources	3,804,950	3,587,821	(217,129)
Current liabilities	12,009,493	16,078,075	4,068,582
Noncurrent liabilities	<u>282,350,552</u>	<u>278,069,179</u>	<u>(4,281,373)</u>
Total liabilities	<u>294,360,045</u>	<u>294,147,254</u>	<u>(212,791)</u>
Deferred inflows of resources	624,090	298,016	(326,074)
Net investment in capital assets	59,295,808	56,653,575	(2,642,233)
Restricted for debt service	5,881,618	9,720,424	3,838,806
Restricted for capital projects	545,317	752,488	207,171
Unrestricted	<u>10,229,877</u>	<u>9,421,765</u>	<u>(808,112)</u>
<b>Total net position</b>	<b><u>\$ 75,952,620</u></b>	<b><u>\$ 76,548,252</u></b>	<b><u>\$ 595,632</u></b>

In the Convention Center Fund, total assets plus deferred outflows of resources exceeded total liabilities plus deferred inflows of resources by \$76.5 million (net position) at December 31, 2019. A large portion of net position, \$56.7 million at December 31, 2019, represents the Authority's investment in capital assets, less the related debt outstanding used to acquire those capital assets. These capital assets are property, facilities, equipment and related items that support the initial construction, as well as the continual expansion and improvement of the convention center and parking facilities. Although the Authority's investment in capital assets is reported net of debt; it is noted that the resources needed to repay the debt associated with the Convention Center are provided annually from collection of hotel occupancy taxes and revenue acquired through the operation of parking facilities, since capital assets themselves cannot be used to liquidate liabilities.



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An additional component of Convention Center Fund net position, \$10.5 million at December 31, 2019, represents resources that are subject to external restrictions as to how they may be used. These assets are not available for new spending, as the majority of these assets are held in reserve and escrow accounts.

The Convention Center Fund's remaining unrestricted net position of \$9.4 million may be used to meet any of the Authority's ongoing obligations.

The following represents the Authority's financial position within the Hotel Fund for the years ended December 31:

	<b>Hotel Fund</b>		
	2018	2019	Increase (Decrease) over/ (under) 2018
Current and other assets	\$ 51,759,335	\$ 334,393,119	\$ 282,633,784
Capital assets, Net	121,711,988	132,193,536	10,481,548
Total assets	173,471,323	466,586,655	293,115,332
Current liabilities	5,764,093	10,347,303	4,583,210
Noncurrent liabilities	149,550,000	434,197,535	284,647,535
Total liabilities	155,314,093	444,544,838	289,230,745
Net investment in capital assets	(26,364,629)	(27,674,582)	(1,309,953)
Restricted for debt service	37,256,767	38,958,950	1,702,183
Restricted for capital projects	4,865,092	8,354,762	3,489,670
Restricted for other	2,400,000	2,402,687	2,687
<b>Total net position</b>	<b>\$ 18,157,230</b>	<b>\$ 22,041,817</b>	<b>\$ 3,884,587</b>

In the Hotel Fund, total assets exceeded total liabilities by \$22.0 million (net position) at December 31, 2019. A large amount of net position, negative \$27.7 million at December 31, 2019, represents the Authority's investment in capital assets, less the related debt outstanding used to acquire those capital assets. The reported negative net investment in capital assets within the Hotel Fund reflects the difference between the value of 2010 bonds issued for the original hotel development project and the value of items capitalized as a result of the implementation of the hotel development project. Most of the bond proceeds received from the original hotel development bond issue were used to construct the hotel and all of those costs were capitalized as required. However, bond proceeds were also deposited into debt service reserve funds and a rental reserve fund established per terms of bond indentures. Such deposits were not capitalized. Furthermore, bond proceeds from the 2010 bond issue were used to purchase items for the Hilton Hotel that were not capitalized per guidelines provided by the Authority's approved capital asset program. These items were planned as part of the original hotel development project and included hotel operating supplies, furniture, fixtures and minor equipment.

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An additional component of Hotel Fund net position, \$39.0 million at December 31, 2019, is subject to restrictions as set forth in the Authority's bond indentures for the original hotel development project and the current hotel expansion project. These assets are not available for new spending, as all of these assets are held in reserve to meet debt service requirements should other revenue sources prove inadequate.

The Hotel Fund net position also includes \$2.4 million in restricted funds (other) held in reserve for hotel operations and \$8.4 million in restricted funds held in reserve for future hotel capital improvement projects and furniture, fixture and equipment (FF&E) purchases.

The following represents the Authority's financial position within the Arena Fund for the years ended December 31:

	<b>Arena Fund</b>		
	2018	2019	Increase (Decrease) over/ (under) 2018
Current and other assets	\$ 635,871	\$ 1,017,196	\$ 381,325
Capital assets, Net	41,447,921	40,818,105	(629,816)
Total assets	42,083,792	41,835,301	(248,491)
Current liabilities	2,843,114	2,389,949	(453,165)
Noncurrent liabilities	65,579,056	68,285,902	2,706,846
Total liabilities	68,422,170	70,675,851	2,253,681
Net investment in capital assets	(5,387,079)	(5,285,312)	101,767
Restricted for capital projects	201,524	569,102	367,578
Unrestricted	(21,152,823)	(24,124,340)	(2,971,517)
<b>Total net position</b>	<b>\$ (26,338,378)</b>	<b>\$ (28,840,550)</b>	<b>\$ (2,502,172)</b>

In the Arena Fund, total liabilities exceeded total assets by \$28.8 million (negative net position) at December 31, 2019. The net position of the Arena Fund is negative because intergovernmental revenue from casino taxes was less than expected and, as a result, revenues into the Arena Fund were not available to cover all expenses. All 2019 expenses for which the Authority is responsible for with respect to the Arena, including debt service payments, are funded solely from, and only to the extent of the Authority's receipt of casino tax revenue from the City of Columbus and Franklin County.

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The following represents the changes in revenues, expenses and net position in the Convention Center Fund for the years ended December 31:

<b>Convention Center Fund</b>			
	2018	2019	Increase (Decrease) over/ (under) 2018
<b>Operating Revenues</b>			
Lease rent	\$ 2,267,160	\$ 2,306,148	\$ 38,988
Gain from operations	5,088,329	6,565,600	1,477,271
Miscellaneous	116,099	83,434	(32,665)
<b>Nonoperating Revenues</b>			
Hotel/motel excise tax	24,998,762	26,013,714	1,014,952
(Decrease)/increase in fair value of investments	82,593	514,650	432,057
Interest earnings	969,422	1,227,274	257,852
<b>Total Revenues</b>	<b>33,522,365</b>	<b>36,710,820</b>	<b>3,188,455</b>
<b>Operating Expenses</b>			
Salary and fringe benefits	1,352,925	1,561,882	208,957
Insurance	441,620	456,025	14,405
Purchased services	1,640,021	2,253,882	613,861
Materials and supplies	1,650,482	698,159	(952,323)
Depreciation	16,023,725	16,178,756	155,031
Other	164,605	205,241	40,636
<b>Nonoperating Expenses</b>			
Interest expense	10,583,670	10,824,255	240,585
Loss on Disposal of Capital Assets	-	-	-
<b>Total Expenses</b>	<b>31,857,048</b>	<b>32,178,200</b>	<b>321,152</b>
Change before Transfers	1,665,317	4,532,620	2,867,303
Transfers out	(1,999,394)	(3,936,988)	(1,937,594)
<b>Change in Net Position</b>	<b>(334,077)</b>	<b>595,632</b>	<b>929,709</b>
Beginning Net Position	76,286,697	75,952,620	(334,077)
<b>Ending Net Position</b>	<b>\$ 75,952,620</b>	<b>\$ 76,548,252</b>	<b>\$ 595,632</b>

Key descriptions of Convention Center revenues, expenses and net position, as listed, are as follows:

- In July 1988, the Authority was established by the Franklin County Commissioners to construct a new Convention Center in downtown Columbus. The Authority was also given the ability to levy excise taxes on lodging transactions to pay for costs associated with the actual construction and operation of the Convention Center. Since completion of the original Convention Center in 1993, the Authority has continued to expand and grow the Convention Center into an active, self-sustaining facility. Currently consisting of 1.8 million square feet of space, the Convention Center has been renovated and expanded several times since its original construction. The most recent expansion and renovation of the

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convention center was completed in 2017 with over \$141.0 million invested in the facility. As a result of this investment, the Convention Center has been upgraded with a new, modern, fresh look; expanded to include new exhibit halls and meeting room space; and enhanced with a new grand entrance at the north end of the facility. The Convention Center now has over 372,000 square feet of contiguous exhibit hall space; 114,000 square feet of ballroom space comprised of the 25,000 square foot Union Station Ballroom, the 15,000 square foot Short North Ballroom, and the 74,000 square foot Battelle Grand, the largest multipurpose ballroom in Ohio; 118,000 square feet of meeting room space or 75 meeting rooms; and 10,000 square feet of outdoor event space. The Convention Center features spacious atriums and pre-function space with decorative lighting and colorful node walls in the concourse. The center also displays local contemporary art throughout the building and is home to “As We Are”, a fourteen-foot-high interactive digital art piece.



- In addition to the Convention Center, the Authority also owns and operates several parking facilities. The Authority's newest parking facility, the Ohio Center garage, just opened in early 2020. With this opening, the Authority now owns and operates four parking facilities and two surface parking lots totaling approximately 4,700 individual parking spaces.
- The Authority has issued tax and lease revenue anticipation bonds to finance the original construction, expansion and continual improvement of the Convention Center. Annual hotel tax revenue is pledged as the funding source for payment of principal and interest due on these bonds. Both the City of Columbus and Franklin County provide credit support for these bonds and have agreed to cover outstanding debt obligations in equal shares if all indentured lease revenues prove insufficient to cover debt costs.
- To pay outstanding debt service due on tax and lease revenue anticipation bonds, the Authority levies a 4.0 percent countywide bed tax on all occupied hotel rooms. Furthermore, the City of Columbus has allocated 0.9 percent of the City's lodging tax towards the payment of debt service due on convention center bonds. Revenue collected from this excise tax as well as earnings from investments of funds held in reserve are first used to pay for annual Convention Center debt service obligations of the Authority. Revenues and earnings in excess of Convention Center debt service obligations are deposited into the Convention Center Fund as available equity. Hotel tax collections during 2019

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proved to be 4.0 percent or \$1.0 million above prior year collections. This increase was due to improved occupancy and average daily rates within the local hotel market.

- Lease rent is annual lease payments received for the use of property owned or leased by the Authority. The Authority currently manages two such lease agreements; the first with the Hyatt Regency Hotel connected to the Convention Center and the second with Drury Inn, also connected to the Convention Center. Both lease payments include a fixed lease payment which is consistent from year to year and a performance-based lease payment which varies from year to year pending the financial success of the hotels. In 2019, lease rent payments remain consistent with prior year payments.

The Authority also receives a land lease payment from the Arena per terms of the Arena transaction. This lease payment is fixed and is payable only to the extent casino tax revenues are available to cover the expense.

- The management, operation and marketing of the Convention Center is facilitated through the Authority's management agreement with ASM Global (formally known as SMG). As part of this management agreement, ASM Global is responsible for the financial activity of the Convention Center. ASM Global financially manages all revenues collected through the operation of the Convention Center and utilizes these revenues to pay for all expenses associated with operating the facility. Net operating income from the Convention Center is recorded as "gain from operations" in the Convention Center Fund.
- 2019 interest earnings are mainly acquired through investment of resources in U.S. Agency Securities and Treasuries consistent with an investment policy approved by the Authority. While investments will be held until maturity, there is a reported increase in investment income for 2019 due to the valuation of such investments at current market. The current increase in fair value of investments is temporary as reported gains and losses will fluctuate throughout the investment period.
- The Authority has an office that is responsible for implementing policies and programs of the board. Most operating expenses as listed are used to support this office.
- Insurance is a major expense for the Convention Center Fund. Included in this line item are costs associated with purchasing property, general liability, umbrella and public official's liability insurance.
- Beginning in October 2016, the Authority entered into an agreement with Levy Premium Foodservice Limited Partnership to provide food and beverage services for the Convention Center. Included within this agreement is the requirement that a capital reserve fund equal to 3.5 percent of gross sales be established to fund the repair, maintenance and replacement of food/beverage service equipment. Expenses made using resources from the capital reserve fund are recorded as an operating expense unless such purchases are capitalized. Any funds within the capital reserve that are not used during the year remain in the fund and are reserved for future purchases of food/beverage service equipment.
- In December 2011, the Authority issued \$16.0 million in parking garage improvement revenue bonds to finance the expansion of the Vine Street parking facility. In July 2014, the Authority issued \$18.0 million in parking garage improvement revenue bonds for the development of the new Goodale Street parking garage (opened January 2016). Both bond issues were thirty-year, taxable bonds purchased by the Franklin County Treasurer. Revenues from the operation of all parking facilities owned by the Authority have been pledged towards the payment of debt service due on parking facility bonds. The

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lender with respect to the Authority's parking facilities has no recourse against other revenues or assets of the Authority.

- To address the increase in demand for parking around the Convention Center, the Authority just opened a new multi-level parking facility in February 2020. Funding for the development of this new garage has been acquired through the issue of \$18.0 million in parking garage improvement revenue bonds in May 2018 and the issue of \$6.0 million in parking garage improvement revenue bonds in June 2019. These bonds were purchased by the Franklin County Treasurer and are structured similar to bonds issued for the Vine Street garage and Goodale Street garage development projects. Revenues from the operation of all parking facilities owned by the Authority have also been pledged towards the payment of debt service due on parking facility bonds. The lender with respect to the Authority's parking facilities has no recourse against other revenues or assets of the Authority.

The following represents the changes in revenues, expenses and net position in the Hotel Fund for the years ended December 31:

<b>Hotel Fund</b>			
	2018	2019	Increase (Decrease) over/ (under) 2018
<b>Operating Revenues</b>			
Gain from operations	\$ 12,679,010	\$ 12,163,814	\$ (515,196)
<b>Nonoperating Revenues</b>			
(Decrease)/increase in fair value of investments	47,722	454,164	406,442
Interest earnings	728,795	1,066,004	337,209
Intergovernmental revenue	1,167,965	1,199,061	31,096
Interest subsidy revenue	3,229,396	3,196,360	(33,036)
<b>Total Revenues</b>	<b>17,852,888</b>	<b>18,079,403</b>	<b>226,515</b>
<b>Operating Expenses</b>			
Purchased services	75,975	123,774	47,799
Materials and supplies	203,497	239,129	35,632
Depreciation	3,943,243	3,912,570	(30,673)
Other	35,000	35,000	-
<b>Nonoperating Expenses</b>			
Interest expense	9,846,308	10,496,627	650,319
Bond Issuance Costs	-	2,828,490	2,828,490
<b>Total Expenses</b>	<b>14,104,023</b>	<b>17,635,590</b>	<b>3,531,567</b>
Change before Transfers	3,748,865	443,813	(3,305,052)
Transfers in	1,272,184	3,440,774	2,168,590
<b>Change in Net Position</b>	<b>5,021,049</b>	<b>3,884,587</b>	<b>(1,136,462)</b>
Beginning Net Position	13,136,181	18,157,230	5,021,049
<b>Ending Net Position</b>	<b>\$ 18,157,230</b>	<b>\$ 22,041,817</b>	<b>\$ 3,884,587</b>

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Key descriptions of Hotel Fund revenues, expenses and net position, as listed, are as follows:

- In answer to increasing demand for hotel rooms near and connected to the Convention Center, the Authority in partnership with the City of Columbus and Franklin County, constructed a new hotel on property near the Convention Center. Opened in October 2012, the Hilton Hotel, branded and managed by Hilton Management LLC, includes 532 guest rooms of which 48 are suites, a ballroom, meeting/banquet rooms, lobby, a three meal restaurant, bar/lounge area, coffee shop, pool, fitness center and walkway to the Convention Center. Parking for the Hilton Hotel is provided by the Vine Street Parking Facility located next to the Hilton Hotel site. The Hilton Hotel is 14 floors with over 429,600 square feet of usable space.
- To finance the development and construction of the Hilton Hotel, the Authority issued lease revenue anticipation bonds backed by Franklin County. Bonds were issued in February 2010 as Build America Bonds. Interest payments began in 2013. Principal payments began in 2016; with net debt service escalating one percent annually after that point in time through 2042 when the last debt service payment is due. Income from the Hilton Hotel as well as revenue equivalent to the Hilton Hotel's occupancy (hotel) tax and revenue received from the U.S. Treasury is used to pay for debt service.
- The management, operation, marketing and branding of the Hilton Hotel is facilitated through the Authority's management agreement with Hilton Management LLC. As part of this management agreement, Hilton is responsible for the financial activity of the Hilton Hotel. Hilton financially manages all revenues collected through the operation of the Hilton Hotel and utilizes these revenues to pay for all expenses associated with operating the facility. Bottom line performance of the Hilton Hotel is recorded as "gain from operations" in the Hotel Fund. Income from hotel operations is used to pay debt service associated with the hotel project
- U.S. Treasury interest subsidy payments of \$3.2 million were made to the Authority in 2019 for debt service pursuant to bond requirements. These payments are impacted by mandatory budget reductions made to the Build America Bond program at the federal level (sequestration).
- Hotel tax revenue generated from the operation of the Hilton Hotel equaled approximately \$2.4 million in 2019. Hotel occupancy taxes generated through the Hilton Hotel (both the City of Columbus' and the Authority's tax) are used to pay debt service associated with the Hilton Hotel project. The City's occupancy tax from the Hilton Hotel equaled \$1.2 million in 2019 and is recorded as intergovernmental revenue. The Authority's occupancy tax received from the operation of the Hilton Hotel equaled approximately \$1.2 million as well and is recorded as a transfer from the Convention Center Fund. The transfer from the Convention Center Fund occurs only if the Authority is able to meet all Convention Center related debt service obligations for the year.
- Capital improvement projects and FF&E purchases for the Hilton Hotel are funded through a capital reserve fund that was established with the opening of the Hilton Hotel. Every year, a percent of gross revenues from hotel operations is deposited into this fund. In 2019, this deposit equaled 6.0 percent of gross revenues. Capital improvement projects and FF&E purchases completed during the year using resources from the capital reserve fund are recorded as either an operating expense or a capital asset. Any funds within the capital reserve that are not used during the year remain in the fund and are reserved for future improvements and FF&E purchases.

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- During 2019, \$12.2 million in net operating income from hotel operations was deposited into the Hotel Fund to pay debt service. When this deposit is combined with the U.S. Treasury subsidy payment (\$3.2 million), hotel tax deposits (\$2.4 million) and interest earnings (\$1.1 million); total revenues into the hotel fund equaled approximately \$18.9 million. Total revenues exceeded the 2019 debt service payment by approximately \$6.3 million. Revenues that exceed debt service remain in the Hotel Fund and are reserved for future debt service payments.
- Because the hotel has done extremely well; the Authority in partnership with the City of Columbus and Franklin County is expanding and improving the Hilton Columbus Downtown by constructing a new 28-story tower. The new tower will include 463 guest rooms, several ballrooms, significant meeting room space, a lobby, two restaurants, a lobby bar and lounge, a fitness center and connections to the existing hotel and the convention center. One of the restaurants in the new tower will be located on the top level of the hotel. Art will continue to be a prominent feature of the new tower. Currently under construction, opening of the new tower is scheduled for January 2022. Once opened the expanded hotel will operate and function as a single enterprise of 1,000 rooms under common management. As such, the Hilton Columbus Downtown will be the first 1,000 room hotel in Ohio.





Franklin County Convention Facilities Authority  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019

- To provide the financing structure for the development of the new tower; the City of Columbus, Franklin County and the Authority agreed to amend the original cooperative agreement. Per terms of this new amendment, the construction of the new tower would be financed through the issue of two series of bonds. Series A bonds are project revenue bonds backed by the Hilton's net income and lodging tax revenue. Series B are lease appropriation bonds backed equally by the appropriation of the City and County. Series B bonds are subordinate to Series A. Total net operating income from hotel operations plus hotel tax revenue generated from the hotel itself will be split; with 41.0 percent of such revenues used to pay debt service on the 2010 bonds and 59.0 percent of revenues used to pay debt service (both series) on the new 2019 bonds. Bond proceeds from the sale will finance the project (\$233.5 million) as well as provide for a new debt service reserve fund, pay for issuance costs and capitalize interest through opening of the hotel addition. The CFA will use the available balance in the current 2010 bond payment fund to fully fund (\$25.0 million) a new hotel consolidated bond fund which will serve as security for all bond issues. The bonds for the hotel expansion project were priced on November 20, 2019 with closing on December 4<sup>th</sup>.

The following represents the changes in revenues, expenses and net position in the Arena Fund for the years ended December 31:

	<b>Arena Fund</b>		
	2018	2019	Increase (Decrease) over/ (under) 2018
<b>Nonoperating Revenues</b>			
Interest earnings	\$ 5,235	\$ 9,359	\$ 4,124
Capital contributions	2,042,715	1,615,074	(427,641)
Intergovernmental revenue	6,346,697	6,204,145	(142,552)
<b>Total Revenues</b>	<b>8,394,647</b>	<b>7,828,578</b>	<b>(566,069)</b>
<b>Operating Expenses</b>			
Purchased services	4,681,944	4,845,812	163,868
Depreciation	2,031,334	2,244,889	213,555
Other	751,000	751,000	-
<b>Nonoperating Expenses</b>			
Interest expense	2,846,496	2,985,263	138,767
Loss on disposal of capital assets	105,258	-	(105,258)
<b>Total Expenses</b>	<b>10,416,032</b>	<b>10,826,964</b>	<b>410,932</b>
Change before Transfers	(2,021,385)	(2,998,386)	(977,001)
Transfers in	727,210	496,214	(230,996)
<b>Change in Net Position</b>	<b>(1,294,175)</b>	<b>(2,502,172)</b>	<b>(1,207,997)</b>
Beginning Net Position	(25,044,203)	(26,338,378)	(1,294,175)
<b>Ending Net Position</b>	<b>\$ (26,338,378)</b>	<b>\$ (28,840,550)</b>	<b>\$ (2,502,172)</b>

Franklin County Convention Facilities Authority  
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Key descriptions of Arena Fund revenues, expenses and net position, as listed, are as follows:

- In March 2012, the City of Columbus, Franklin County, Nationwide Realty Investors (Nationwide), Columbus Blue Jackets, The Ohio State University (OSU) and the Authority agreed to a plan for Nationwide Arena that transitioned the Arena from private to public ownership. This transition was designed to strengthen the facility's financial position thus ensuring that the Arena remained a valuable asset within the community for years to come. Terms of this agreement are as follows:
  - Since the Authority already owned the land under Nationwide Arena, the Authority purchased the physical facilities of the Arena including the Ice Haus, parking garage, restaurant space and offices for \$42.5 million. To do so, the Authority borrowed \$32.5 million from Nationwide Realty Investors and \$10 million from the State of Ohio. (The Authority also borrowed \$11.7 million from Nationwide to support an initial capital improvement program for the facility as well as to pay for Arena operating expenses in 2012.)
  - The Columbus Blue Jackets agreed to make Nationwide Arena their home until September 15, 2039. Should the Columbus Blue Jackets breach this home ice covenant, they are liable for liquidated damages. When not in use by the Columbus Blue Jackets, the Arena is available for concerts, family shows, conventions and other events.
  - The Arena is managed by Columbus Arena Management LLC or CAM. CAM consists of representatives from the Authority, Columbus Blue Jackets, OSU and Nationwide. CAM approves the operating and capital budgets for the facility. The Authority administers the capital improvements program. OSU provides day to day management services for the Arena.
  - Beginning in 2013, the city and county began paying the Authority a percentage of casino tax collections as lease/sublease payment for the Arena. These payments cover operating, capital and debt service expenses associated with the Arena. The financial statements classify this as intergovernmental revenue.
  - Casino tax revenue is first used to pay for operating, land lease, real estate taxes and capital expenses associated with the Arena (such payments were pre-determined as part of the transaction process). Only if casino revenues exceed operating, land lease, real estate tax and capital expenses will revenues be used to cover debt service obligations in any given year. If revenue from casino lease/sublease payments is not sufficient to cover debt service obligations, Nationwide has agreed to defer payments until revenues are available to cover debt service. Such payments and related interest will accrue. There is no obligation on the part of the Authority to cover outstanding debt obligations for the Arena if casino tax revenues prove inadequate.
  - If casino lease/sublease payments are not sufficient to cover the operating and capital programs for the Arena; Nationwide, the Columbus Blue Jackets and OSU have agreed to cover operating and capital shortfalls. OSU has a \$7.0 million cap on this obligation. Should OSU reach this cap, the Authority will begin to help fund the Arena.

Franklin County Convention Facilities Authority  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019



- 2019 was the seventh year the Authority received casino tax revenues from the City of Columbus and Franklin County to pay for costs associated with the Arena. Total revenue received by the Authority from the city and county was \$5.7 million. Of this revenue, \$4.8 million was transferred to CAM for Arena operations, \$165,000 was used to make the land lease payment, \$332,615 was set aside to help pay for real estate tax obligations and \$360,718 was set aside for capital improvements. Actual distribution of revenues was consistent with distribution requirements outlined in the arena transaction documents.
- In 2016, the State of Ohio General Assembly authorized a permanent real estate tax exemption for the Arena such that the Arena now enjoys the same tax treatment under state law as the fourteen other publicly-owned entertainment and sports venues in Ohio. As part of the process to acquire authorization for real estate tax exemption, the Authority agreed to make an annual payment in-lieu-of-taxes to the Columbus Board of Education as long as the Arena remains publicly-owned. This payment equals \$586,000 a year and payment began with tax year 2016.

Beginning in 2016, the Arena transaction documents allow for casino tax revenues to be set aside in a reserve for real estate tax payments. This reserve is only funded after payment is made to CAM for Arena operations and to the Authority for the land lease payment. Transaction documents stipulate the maximum amount that is to be reserved for real estate payments. The reserve for real estate obligations is only funded to the extent casino tax revenues are available to do so. The reserve for real estate tax obligations is used to partially fund payment due to the Columbus Board of Education. Remaining amount due to the Columbus Board of Education is an obligation of the Authority and is paid for with available equity.

- Because casino tax revenues in 2019 were not sufficient enough to provide funding for capital improvements within the Arena, CAM decided to use operating reserve money to purchase needed furniture, fixture and equipment for the Arena. The operating reserve for the Arena is held by CAM. Operating reserve monies used to support Arena capital improvements is recorded as a capital contribution.

Franklin County Convention Facilities Authority  
Management's Discussion and Analysis  
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- In March of 2012, the Authority received a loan from the State of Ohio, Department of Development to finance a portion of the purchase of Nationwide Arena. The loan equaled \$10.0 million; \$5.0 million of which will be forgiven over a ten-year period if certain economic development incentive targets are met. The loan is for a ten-year period with interest rate of 1.0 percent. The obligation to pay interest and principal on the State of Ohio loan is contingent on casino tax revenues exceeding annual operating, land lease and capital improvement funding requirements. There is no obligation on the part of the Authority to cover outstanding interest and principal on the State of Ohio loan if casino tax revenues prove to be inadequate. Per terms of the loan, the State of Ohio has forgiven \$3.5 million of total principal due based upon the Authority's achievement of economic development incentive targets as established in 2012.

In 2018, the Authority and State of Ohio amended the loan agreement to change payment terms on the loan. Under the new amendment, the Authority now provides the State of Ohio advertising rights within the Convention Center and the new Ohio Center Garage. The Authority also agreed to pay the State of Ohio \$1.0 million; \$200,000 a year beginning in 2017 and extending through 2021. Such payment is made from the Authority's equity reserves. This payment coupled with the value of advertising rights can now help off-set outstanding principal due on the loan. In return, the State of Ohio agreed to forgive all interest due on the loan and agreed to terminate the loan in 2030 regardless of whether casino tax revenues are available to meet remaining principal obligations.

- Casino revenues were not available in 2019 to meet debt service obligations due on the Arena Lease Revenue Bonds as purchased by Nationwide. While Nationwide agreed, as part of the transaction process, to defer interest and principal payments on these bonds if casino tax revenue is not available to meet obligations; interest on the bonds continues to accrue during the deferral period.
- At year-end 2019, the Authority entered into a memorandum of understanding with Nationwide Arena LLC to refinance Arena Lease Revenue Bonds. Per terms of the agreement, the revised arena loan will be issued by the Authority in the form of non-interest bearing bonds, in an amount of \$51.5 million payable on December 15, 2029. Payment of the bonds will be made with monies held in the Hotel Residuals Fund (established as a result of the 2019 bond issue for the hotel expansion project) to the extent monies are available to do so. Any portion of the revised arena loan that is not paid on the payment date shall bear interest of 4.0 percent moving forward.
- Excluding the revised terms of the State of Ohio Loan and the Arena Lease Revenue Bonds, the Authority is not required to cover costs associated with the Arena; including operating and capital expenses. Such obligations are payable solely from, and only to the extent of, the Authority receiving casino tax revenue payments from the city and county.

## **CAPITAL ASSETS**

At the end of fiscal year 2019, the Authority had \$477.9 million (net of accumulated depreciation) invested in capital assets. This investment in capital assets includes land; a 1,800 vehicle parking facility, a 800 vehicle parking facility, and a 500 vehicle underground parking garage; a convention center with over 373,000 square feet of contiguous exhibit hall space, three large ballrooms, and related meeting and back of house space; a 532 room full service hotel with supporting meeting room, ballroom, restaurant, and lobby space; and a 20,000 seat Arena with related concourses, suites, practice facility and parking garage.

Franklin County Convention Facilities Authority  
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The Authority's net capital assets increased by \$13.8 million in fiscal year 2019. This increase represents the amount in which current year additions of \$36.1 million exceeded current year depreciation expense of \$22.3 million.

## **DEBT ADMINISTRATION**

At December 31, 2019, the Authority had \$790.9 million in bonds and related long term liabilities outstanding; of which \$231.5 million are bonds associated with the Convention Center, \$437.2 million are bonds issued for development of the Hilton Hotel, \$14.6 million are bonds related to the expansion of the Vine Street parking facility, \$15.0 million are bonds related to the development of the Goodale Street parking facility, \$24.0 million are bonds related to the development of the Ohio Center parking facility and \$68.6 million are bonds from the Arena transaction.

Annual debt service obligations for the Convention Center are paid with revenues received by the Authority from collection of a county-wide hotel occupancy tax. The bond indenture requires that proceeds from the hotel excise tax as well as from earnings received through investment of reserve funds must first be used to meet annual debt service obligations. Only after these obligations are met can tax proceeds and investment earnings be used to offset on-going improvement and operation of the Convention Center and other related expenses.

Annual debt service for the Hilton Hotel is met through income received from the operation of the Hilton Hotel as well as from hotel/motel taxes generated through the operation of the Hilton Hotel, interest earnings and a subsidy payment from the U.S. Treasury. Revenue from these sources that exceed the annual debt service payment for the Hilton Hotel is reserved for future debt service obligations.

Annual debt service for the parking garage improvement revenue bonds (Series 2011, Series 2014, Series 2018 and Series 2019) is covered through parking revenue generated from parking facilities owned by the Authority.

Annual debt service obligations for the lease revenue bonds associated with the acquisition of Nationwide Arena is paid with casino tax revenue received by the Authority from the city and county. Debt service payments are made only to the extent such revenues are available. The Authority had no obligation in 2019 to cover debt service since casino tax revenues proved to be insufficient.

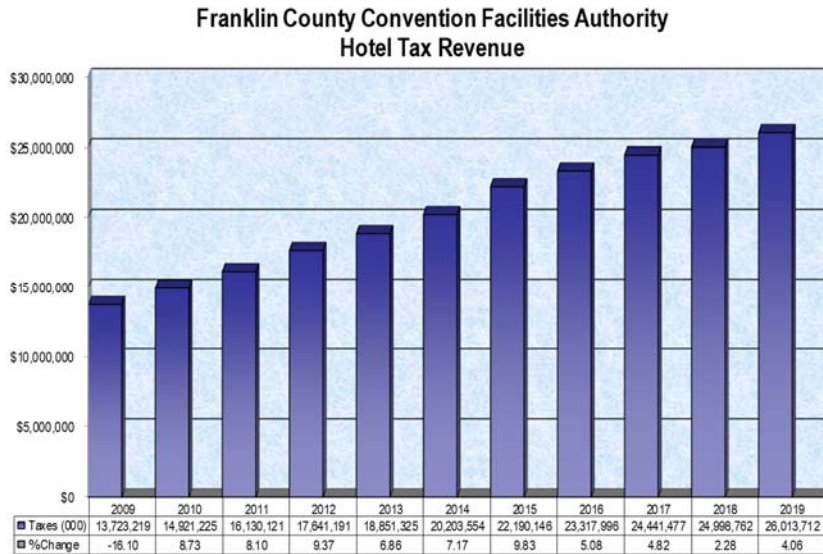
In accordance with all bond indentures, debt service reserve funds, bond payment funds, consolidated bond funds and rental reserve funds have been established as special trust funds to provide for the payment of bond principal and interest in the event the amount in the debt service fund is insufficient. The bond indenture prescribes the amount to be placed into each of these special trust funds as well as the minimum reserve balances. Per bond indenture requirements, reserve balances are valued on a cash basis. These reserves totaled \$149.4 million at December 31, 2019.

Total debt for the Convention Center Fund decreased \$4.0 million during 2019. This decrease represents the amount in which principal payments and premium amortization exceeded new debt issuances. Total debt for the Hotel Fund increased \$284.8 million during 2019. This increase represents the amount in which new debt issuances and premiums exceeded principal payments and premium amortization. Total debt for the Arena Fund increased by \$2.2 million during 2019. This increase represents the amount in which capitalized interest on the Nationwide loan, totaling \$2.9 million, exceeded principal payments of \$200,000, principal forgiveness of \$500,000, and an advertising credit of \$31,583.

Franklin County Convention Facilities Authority  
 Management’s Discussion and Analysis  
 For the Year Ended December 31, 2019

**ECONOMIC FACTORS**

The success of the Convention Center, Hilton Hotel and Nationwide Arena relies on the economic health of the convention and travel industry not only within the Columbus market but within the national market as well. An excellent indicator of how this industry is performing, especially locally, is the year over year change in revenue the Authority receives from hotel occupancy tax collections. As illustrated in the graph below, the industry has performed well during the eleven-year period. The industry did experience a significant decline during 2008 and 2009 due to pressures and challenges imposed by the economy. However, the industry rebounded with strength as revenues began to grow in 2010 and have continued to do so ever since. In fact, average annual growth in hotel tax revenue the Authority has received since 2010 is 6.6 percent. This growth is due to continual improvement in occupancy rates, average daily rates and supply of hotels within the Columbus community. There is concern that future growth in tax collections may be impacted by the recent outbreak of COVID-19. While the extent of this impact is uncertain, there is the potential that this outbreak may slow hotel tax growth within the community and may impact the Hilton Columbus Downtown Hotel during 2020.



**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority’s finances and to show accountability for money received by the Authority. For questions or for additional information regarding this report, please contact Maria Mercurio, Chief Financial Officer, at 614.827.2805 or [mmercurio@fccfa.org](mailto:mmercurio@fccfa.org).

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Convention Center	Hotel	Arena	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 616,662	\$ -	\$ -	\$ 616,662
Investments	8,917,694	-	-	8,917,694
Restricted assets:				
Investments	9,295,497	7,292,303	338,094	16,925,894
Hotel/motel excise tax receivable	3,478,046	-	-	3,478,046
Lease receivable	1,719,218	-	-	1,719,218
Interest receivable	119,129	639,597	-	758,726
Operations receivable	2,930,246	593,406	-	3,523,652
Prepaid items	114,085	-	110,000	224,085
Total current assets	<u>27,190,577</u>	<u>8,525,306</u>	<u>448,094</u>	<u>36,163,977</u>
Noncurrent Assets:				
Restricted cash	167,507	11,237,879	-	11,405,386
Restricted investments	35,113,568	314,629,934	569,102	350,312,604
Capital Assets:				
Nondepreciable capital assets	33,255,559	584,413	-	33,839,972
Construction in progress	21,490,254	16,315,410	-	37,805,664
Depreciable capital assets, net	250,188,236	115,293,713	40,818,105	406,300,054
Total capital assets	<u>304,934,049</u>	<u>132,193,536</u>	<u>40,818,105</u>	<u>477,945,690</u>
Total noncurrent assets	<u>340,215,124</u>	<u>458,061,349</u>	<u>41,387,207</u>	<u>839,663,680</u>
Total assets	<u>367,405,701</u>	<u>466,586,655</u>	<u>41,835,301</u>	<u>875,827,657</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized deferred amount on refunding	2,981,775	-	-	2,981,775
Pension	532,004	-	-	532,004
OPEB	74,042	-	-	74,042
Total deferred outflows of resources	<u>3,587,821</u>	<u>-</u>	<u>-</u>	<u>3,587,821</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	3,758,310	5,518,887	-	9,277,197
Retainage payable	1,302,331	37,091	-	1,339,422
Accrued liabilities and other	341,145	35,000	586,000	962,145
Interest payable	981,289	1,701,325	1,528,149	4,210,763
Bonds payable	9,695,000	3,055,000	275,800	13,025,800
Total current liabilities	<u>16,078,075</u>	<u>10,347,303</u>	<u>2,389,949</u>	<u>28,815,327</u>
Noncurrent liabilities:				
Compensated absences payable	227,484	-	-	227,484
Bonds payable, net	275,403,068	434,197,535	68,285,902	777,886,505
Net pension liability	1,644,374	-	-	1,644,374
Net OPEB liability	794,253	-	-	794,253
Total noncurrent liabilities	<u>278,069,179</u>	<u>434,197,535</u>	<u>68,285,902</u>	<u>780,552,616</u>
Total liabilities	<u>294,147,254</u>	<u>444,544,838</u>	<u>70,675,851</u>	<u>809,367,943</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unamortized up-front service concession payment	150,000	-	-	150,000
Unamortized deferred amount on refunding	100,240	-	-	100,240
Pension	39,212	-	-	39,212
OPEB	8,564	-	-	8,564
Total deferred inflows of resources	<u>298,016</u>	<u>-</u>	<u>-</u>	<u>298,016</u>
<b>NET POSITION</b>				
Net investment in capital assets	56,653,575	(27,674,582)	(5,285,312)	23,693,681
Restricted for debt service	9,720,424	38,958,950	-	48,679,374
Restricted for capital projects	752,488	8,354,762	569,102	9,676,352
Restricted for other	-	2,402,687	-	2,402,687
Unrestricted	9,421,765	-	(24,124,340)	(14,702,575)
Total net position	<u>\$ 76,548,252</u>	<u>\$ 22,041,817</u>	<u>\$ (28,840,550)</u>	<u>\$ 69,749,519</u>

See accompanying notes to the basic financial statements.

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Convention Center	Hotel	Arena	Total
<b>OPERATING REVENUES:</b>				
Lease rent	\$ 2,306,148	\$ -	\$ -	\$ 2,306,148
Gain from operations	6,565,600	12,163,814	-	18,729,414
Miscellaneous	83,434	-	-	83,434
Total operating revenues	<u>8,955,182</u>	<u>12,163,814</u>	<u>-</u>	<u>21,118,996</u>
<b>OPERATING EXPENSES</b>				
Salaries and fringe benefits	1,561,882	-	-	1,561,882
Insurances	456,025	-	-	456,025
Purchased services	2,253,882	123,774	4,845,812	7,223,468
Materials and supplies	698,159	239,129	-	937,288
Other	205,241	35,000	751,000	991,241
Total operating expenses	<u>5,175,189</u>	<u>397,903</u>	<u>5,596,812</u>	<u>11,169,904</u>
Operating income/(loss) before depreciation	<u>3,779,993</u>	<u>11,765,911</u>	<u>(5,596,812)</u>	<u>9,949,092</u>
Depreciation	16,178,756	3,912,570	2,244,889	22,336,215
Operating income/(loss) before nonoperating revenues and expenses	<u>(12,398,763)</u>	<u>7,853,341</u>	<u>(7,841,701)</u>	<u>(12,387,123)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Hotel/motel excise tax	26,013,714	-	-	26,013,714
Increase in fair value of investments	514,650	454,164	-	968,814
Interest earnings	1,227,274	1,066,004	9,359	2,302,637
Interest expense	(10,824,255)	(10,496,627)	(2,985,263)	(24,306,145)
Bond issuances costs	-	(2,828,490)	-	(2,828,490)
Intergovernmental revenue	-	1,199,061	6,204,145	7,403,206
Capital contributions	-	-	1,615,074	1,615,074
Interest subsidy revenue	-	3,196,360	-	3,196,360
Total nonoperating revenues (expenses)	<u>16,931,383</u>	<u>(7,409,528)</u>	<u>4,843,315</u>	<u>14,365,170</u>
Income/(Loss) before transfers	<u>4,532,620</u>	<u>443,813</u>	<u>(2,998,386)</u>	<u>1,978,047</u>
Transfers in	-	3,440,774	496,214	3,936,988
Transfers out	(3,936,988)	-	-	(3,936,988)
Change in net position	<u>595,632</u>	<u>3,884,587</u>	<u>(2,502,172)</u>	<u>1,978,047</u>
Total net position - beginning	75,952,620	18,157,230	(26,338,378)	67,771,472
Total net position - ending	<u>\$ 76,548,252</u>	<u>\$ 22,041,817</u>	<u>\$ (28,840,550)</u>	<u>\$ 69,749,519</u>

See accompanying notes to the basic financial statements.



FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Convention Center	Hotel	Arena	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from leases	\$ 2,290,293	\$ -	\$ -	\$ 2,290,293
Receipts from services	5,494,070	11,844,374	-	17,338,444
Payments for professional services and operations	(3,779,736)	(365,353)	(5,596,812)	(9,741,901)
Payments to employees for services	(835,781)	-	-	(835,781)
Payments for retirement	(216,760)	-	-	(216,760)
Receipts from other	83,434	-	-	83,434
Net cash provided by (used in) operating activities	<u>3,035,520</u>	<u>11,479,021</u>	<u>(5,596,812)</u>	<u>8,917,729</u>
<b>Cash Flows from NonCapital Financing Activities</b>				
Hotel/motel excise taxes received	25,746,400	-	-	25,746,400
Intergovernmental	-	1,199,061	5,704,145	6,903,206
Transfers in (out)	(3,849,177)	3,384,545	464,632	-
Net cash provided by noncapital financing activities	<u>21,897,223</u>	<u>4,583,606</u>	<u>6,168,777</u>	<u>32,649,606</u>
<b>Cash Flows from Capital and related Financing Activities</b>				
Purchases of capital assets	(17,095,435)	(10,100,124)	-	(27,195,559)
Proceeds from the sale of bonds	6,000,000	243,580,000	-	249,580,000
Proceeds from bond premium	-	42,631,140	-	42,631,140
Payments for bond issuance costs	-	(1,172,523)	-	(1,172,523)
Cash paid on bond interest and fiscal charges	(11,799,101)	(9,720,551)	-	(21,519,652)
Cash paid on bond principal	(8,630,000)	(2,870,000)	(200,000)	(11,700,000)
Cash received from federal interest subsidy	-	3,196,360	-	3,196,360
Advances in (out)	812,753	(812,753)	-	-
Net cash provided by (used in) capital and related financing activities	<u>(30,711,783)</u>	<u>264,731,549</u>	<u>(200,000)</u>	<u>233,819,766</u>
<b>Cash Flows from Investing Activities</b>				
Interest received from investments	1,232,657	575,278	9,359	1,817,294
Investment sales	143,027,217	226,500,562	7,998,205	377,525,984
Investment purchases	(138,573,121)	(505,949,851)	(8,379,529)	(652,902,501)
Net cash provided by (used in) investing activities	<u>5,686,753</u>	<u>(278,874,011)</u>	<u>(371,965)</u>	<u>(273,559,223)</u>
Net increase in cash and cash equivalents	(92,287)	1,920,165	-	1,827,878
Cash- January 1	876,456	9,317,714	-	10,194,170
Cash- December 31	<u>\$ 784,169</u>	<u>\$ 11,237,879</u>	<u>\$ -</u>	<u>\$ 12,022,048</u>

See accompanying notes to the basic financial statements.

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Convention Center	Hotel	Arena	Total
<b>Reconciliation of operating income/(loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (12,398,763)	\$ 7,853,341	\$ (7,841,701)	\$ (12,387,123)
Adjustments to reconcile operating income/(loss) to net cash provided by (used in) operating activities:				
Depreciation	16,178,756	3,912,570	2,244,889	22,336,215
Advertising Credit	(31,583)	-	-	(31,583)
Decrease in lease receivable	(15,854)	-	-	(15,854)
Increase in operations receivable	(1,039,947)	(319,439)	-	(1,359,386)
Decrease in prepaid items and other	(7,150)	-	-	(7,150)
Decrease in net pension/OPEB asset and related deferred outflows	(222,946)	-	-	(222,946)
Increase/(Decrease) in accounts payable	(18,143)	32,549	-	14,406
Decrease in accrued liabilities and other related items	18,538	-	-	18,538
Decrease in net pension/OPEB liability and related deferred inflows	572,612	-	-	572,612
Total adjustments	<u>15,434,283</u>	<u>3,625,680</u>	<u>2,244,889</u>	<u>21,304,852</u>
Net cash provided by (used in) operating activities	<u>\$ 3,035,520</u>	<u>\$ 11,479,021</u>	<u>\$ (5,596,812)</u>	<u>\$ 8,917,729</u>

**Noncash financing activities:**

Net amortization related to the capital debt	\$ (981,263)	\$ (115,202)	\$ -	\$ (1,096,465)
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**Schedule of noncash transactions:**

During the year, the Authority met the annual incentive target for the State Loan. In accordance with the State Loan Agreement, the Authority's principal balance was reduced by \$500,000. In addition, the Authority was awarded an advertising credit of \$31,583. The State Loan principal balance was reduced by this amount as well.

During the year, the Authority's Arena lease payments were insufficient to pay the interest payment due the bondholder. In accordance with the bond agreement, \$2,914,229 of unpaid interest was added to the Authority's principal balance outstanding.

During the year, the arena operator contributed capital assets to the Authority totaling \$1,615,074.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**1. DESCRIPTION OF ENTITY**

**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 related 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Significant Accounting Policies** – The significant accounting policies followed in preparation of these basic 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 follows the business-type activities reporting requirements of GASB Statement No. 34. In accordance with GASB Statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis.

GASB Statement No. 34 requires the following, which collectively make up the Authority’s basic financial statements:

- Management’s Discussion and Analysis
- Basic financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
- Notes to the basic financial statements
- Required Pension/OPEB Schedules

**Measurement Focus and Basis of Accounting** – The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the types of resources being measured and the basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, or for derived tax revenue, when the exchange transaction on which the tax is imposed occurs, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Proprietary Funds** – The Authority operates using enterprise fund reporting. 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 to report any activity for which a fee is charged to external users for goods or services, regardless of whether the Authority intends to fully recover the cost of the goods or services provided.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations.

The Authority’s principal operating revenues consist of land lease rent and gain/loss from day-to-day operations of the facilities. Operating expenses for the Authority include administrative expenses, routine repairs and maintenance, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

**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 proprietary funds are used by the Authority:

**Convention Center Fund** – The Convention Center Fund accounts for the operation of the Convention Center, parking facilities, and related expenses, including construction of and improvements to these facilities, as well as the accumulation of financial resources for, and the payment of, debt principal, interest, and related costs.

**Hotel Fund** – The Hotel Fund accounts for the operation of the Hilton Hotel and related expenses, including construction of and improvements to the facility, as well as the accumulation of financial resources for, and the payment of, debt principal, interest, and related costs.

**Arena Fund** – The Arena Fund accounts for the operation of the Arena and related expenses, including improvements to the facility, as well as the accumulation of financial resources for, and the payment of, debt principal, interest, and related costs.

**Cash and Cash Equivalents** – Cash and cash equivalents includes demand deposits and short-term investments with original maturities of less than three months from the date of acquisition, excluding STAR Ohio, cash held in escrow and trust funds, which are reported as investments.

**Investments** – During fiscal year 2019, the Authority invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, “*Certain External Investment Pools and Pool Participants.*” The Authority measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

***Restricted Assets*** – Certain resources set aside for the construction of facilities and repayment of bonds are classified as restricted on the Statement of Net Position because their use is limited by applicable revenue bond indentures.

***Prepaid Items*** – Payments made to vendors for services that will benefit periods beyond year end are recorded as prepaid items under the consumption method.

***Capital Assets and Depreciation*** – Office equipment, construction costs (including capitalized interest on assets constructed prior to January 1, 2018), and improvements are capitalized at cost. Generally, items purchased with individual costs ranging from \$5,000 to \$25,000 or more are capitalized based on the nature of the asset. 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 13 to 40 years for Buildings and Improvements, 20 to 30 years for Improvements other than Buildings, 3 to 60 years for Furnishings and Equipment, 40 years for Parking lots, and 7 years for major building equipment.

***Deferred outflows/inflows of resources*** – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources are reported on the Statement of Net Position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the Statement of Net Position for the up-front service concession payment received from the Convention Center operator, deferred charges on refunding, pension and OPEB. The up-front service concession payment received from the Convention Center operator is deferred and amortized using the straight-line method over one hundred twenty months, commencing January 1, 2012, with the Authority responsible for repayment of the unamortized portion if the Convention Center operator is not retained for the full duration of such amortization period. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

***Bond Discounts and Premiums*** – Bond discounts and premiums are netted against the outstanding bonds, as a liability valuation account, and are being accreted or amortized using the straight-line method over the life of the applicable bond issues.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Net Position** – Net position represents assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Net position is displayed in three components – net investment in capital assets; restricted; and unrestricted. The net investment in capital assets component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets. The restricted component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The unrestricted component is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Estimates** – The preparation of basic 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Interfund Activity** – Exchange transactions between funds are reported as revenues in the seller funds and as expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as nonoperating revenues/expenses. Transfers during the calendar year are considered allowable based upon the Authority's policies and the purpose of intended transfers.

**Extraordinary and Special Items** – Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Authority and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the calendar year.

**Budgetary Accounting** – The Authority adopts an annual Operating Budget, which lapses at the end of the year, for management purposes. The budget is adopted on a budgetary accounting basis in which purchase orders, contracts, and other commitments for the expense of monies are recorded as the equivalent of expenses. The defined legal level of control established by the Authority to monitor expenses is at the fund/function level.

**Pensions/Other Postemployment Benefits (OPEB)** – For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**3. DEPOSITS AND INVESTMENTS**

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2019, the carrying amount of the Authority's deposits was \$2,717,964, and the bank balance was \$3,146,174. Of the bank balance, \$2,516,068 was covered by Federal Deposit Insurance and the remaining balance was uninsured and collateralized.

The carrying amount of the Authority's deposits includes \$2,101,301 in STAR Ohio Plus, which is reported as Restricted Cash on the Statement of Net Position.

In addition, the Authority had \$2,400,000 and \$6,736,578 on deposit with the Hilton Hotel operator for operating reserves and furniture, fixtures and equipment reserves, respectively, and \$167,507 on deposit with the Convention Center food and beverage operator for furniture, fixtures and equipment reserves, in accordance with the operating agreements. These amounts are also reported as Restricted Cash on the Statement of Net Position.

The Authority has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

1. Eligible securities pledged to the Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

The Authority's financial institutions participate in OPCS and were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

The Authority participates in OPCS.

***Investments***

The Authority has adopted a formal investment policy. The objectives of the policy are the preservation of capital and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. Funds are invested in accordance with Section 135 "Uniform Depository Act" of the Ohio Revised Code, as well as Section 351.20 of the Ohio Revised Code.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**3. DEPOSITS AND INVESTMENTS - CONTINUED**

The types of obligations eligible for investment and deposits include:

1. United States Treasurer bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), and Government National Mortgage Association (GNMA). All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of this state or the political subdivisions of this state, provided the bonds or other obligations of political subdivisions mature within ten years from the date of settlement;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts, in eligible institutions pursuant to Ohio Revised Code (ORC) Section 135.32;
6. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

In accordance with GASB Statement No. 79, the Authority's investment in STAR Ohio is reported on an amortized cost basis, which approximates fair value. All other investments are reported at fair value. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Authority's investments reported at fair value are valued using quoted market prices (Level 1 inputs).



**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**3. DEPOSITS AND INVESTMENTS – CONTINUED**

The following chart illustrates the Authority’s investments as of December 31:

	<u>Amount</u>	<u>Credit Rating</u>	<u>Maturity in Years</u>		
			<u>&lt;1</u>	<u>1-3</u>	<u>&gt;3</u>
<b><u>Convention Center Fund:</u></b>					
STAR Ohio	\$ 13,789,822	AAAm	\$ 13,789,822	\$ -	\$ -
Money Market Funds	3,355,842	NR	3,355,842	-	-
U.S. Treasuries	2,648,134	AA+ <sup>1</sup>	-	1,351,298	1,296,836
Commercial Paper	2,981,384	A-1 <sup>1</sup>	2,981,384	-	-
Federal Agency Securities	30,551,577	AA+ <sup>1</sup>	9,467,005	12,288,829	8,795,743
	<u>53,326,759</u>		<u>29,594,053</u>	<u>13,640,127</u>	<u>10,092,579</u>
<b><u>Hotel Fund:</u></b>					
STAR Ohio	17,221,329	AAAm	17,221,329	-	-
Money Market Fund - Dreyfus	91,296,218	AAAm	91,296,218	-	-
Money Market Funds - Other	12,092,629	NR	12,092,629	-	-
U.S. Treasuries	137,548,455	AA+ <sup>1</sup>	21,771,660	114,527,278	1,249,517
Federal Agency Securities	63,763,606	AA+ <sup>1</sup>	31,859,011	24,637,075	7,267,520
	<u>321,922,237</u>		<u>174,240,847</u>	<u>139,164,353</u>	<u>8,517,037</u>
<b><u>Arena Fund:</u></b>					
STAR Ohio	907,196	AAAm	907,196	-	-
	<u>907,196</u>		<u>907,196</u>	<u>-</u>	<u>-</u>
<b>Totals</b>	<u>\$ 376,156,192</u>		<u>\$ 204,742,096</u>	<u>\$ 152,804,480</u>	<u>\$ 18,609,616</u>

Reconciliation of the Authority’s deposits and investments to the Statements of Net Position is as follows:

	<u>Convention Center</u>	<u>Hotel</u>	<u>Arena</u>
<b>Per Deposits and Investments Note:</b>			
Deposits	\$ 616,662	\$ 2,101,301	\$ -
On Deposit with Operators	167,507	9,136,578	-
Investments	53,326,759	321,922,237	907,196
Totals	<u>\$ 54,110,928</u>	<u>\$ 333,160,116</u>	<u>\$ 907,196</u>
<b>Per Statement of Net Position:</b>			
Cash and Cash Equivalents	\$ 616,662	\$ -	\$ -
Investments	8,917,694	-	-
Restricted Cash	167,507	11,237,879	-
Restricted Investments	44,409,065	321,922,237	907,196
Totals	<u>\$ 54,110,928</u>	<u>\$ 333,160,116</u>	<u>\$ 907,196</u>

**Concentration of Credit Risk** - The Authority’s investment policy does not limit the amounts that may be invested in any one issuer.

As further discussed in Note 6, a portion of cash and investments is restricted for debt service and capital outlays.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**4. CAPITAL ASSETS**

Capital Asset activity for the year ended December 31, 2019 is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals/ Transfers</b>	<b>Ending Balance</b>
<b>Convention Center Fund</b>				
Capital assets, not being depreciated:				
Land	\$ 32,556,992	\$ -	\$ -	\$ 32,556,992
Works of Art	603,486	95,081	-	698,567
Construction in progress	3,630,201	19,412,019	(1,551,966)	21,490,254
Total capital assets, not being depreciated	<u>36,790,679</u>	<u>19,507,100</u>	<u>(1,551,966)</u>	<u>54,745,813</u>
Capital assets, being depreciated				
Buildings & improvements	413,132,137	-	1,551,966	414,684,103
Improvements other than buildings	13,210,242	-	-	13,210,242
Major building equipment	7,147,215	-	-	7,147,215
Parking lot	1,144,557	-	-	1,144,557
Equipment & Furnishings	7,571,279	596,384	-	8,167,663
Total capital assets, being depreciated	<u>442,205,430</u>	<u>596,384</u>	<u>1,551,966</u>	<u>444,353,780</u>
Less accumulated depreciation for:				
Buildings & improvements	(163,365,595)	(14,811,858)	-	(178,177,453)
Improvements other than buildings	(2,351,057)	(643,808)	-	(2,994,865)
Major building equipment	(7,147,215)	-	-	(7,147,215)
Parking lot	(829,802)	(28,614)	-	(858,416)
Equipment & Furnishings	(4,293,119)	(694,476)	-	(4,987,595)
Total accumulated depreciation	<u>(177,986,788)</u>	<u>(16,178,756)</u>	<u>-</u>	<u>(194,165,544)</u>
Total capital assets, being depreciated, net	<u>264,218,642</u>	<u>(15,582,372)</u>	<u>1,551,966</u>	<u>250,188,236</u>
Total capital assets, net	<u>\$ 301,009,321</u>	<u>\$ 3,924,728</u>	<u>\$ -</u>	<u>\$ 304,934,049</u>
<b>Hotel Fund</b>				
Capital assets, not being depreciated:				
Land	\$ 300,513	\$ -	\$ -	\$ 300,513
Works of Art	283,900	-	-	283,900
Construction in progress	2,022,881	14,292,529	-	16,315,410
Total capital assets, not being depreciated	<u>2,607,294</u>	<u>14,292,529</u>	<u>-</u>	<u>16,899,823</u>
Capital assets, being depreciated				
Buildings & improvements	143,584,752	-	-	143,584,752
Equipment & Furnishings	2,125,470	101,589	-	2,227,059
Total capital assets, being depreciated	<u>145,710,222</u>	<u>101,589</u>	<u>-</u>	<u>145,811,811</u>
Less accumulated depreciation for:				
Buildings & improvements	(24,899,731)	(3,703,284)	-	(28,603,015)
Equipment & Furnishings	(1,705,797)	(209,286)	-	(1,915,083)
Total accumulated depreciation	<u>(26,605,528)</u>	<u>(3,912,570)</u>	<u>-</u>	<u>(30,518,098)</u>
Total capital assets, being depreciated, net	<u>119,104,694</u>	<u>(3,810,981)</u>	<u>-</u>	<u>115,293,713</u>
Total capital assets, net	<u>\$ 121,711,988</u>	<u>\$ 10,481,548</u>	<u>\$ -</u>	<u>\$ 132,193,536</u>

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**4. CAPITAL ASSETS – CONTINUED**

<b>Arena Fund</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals/ Transfers</b>	<b>Ending Balance</b>
Capital assets, not being depreciated				
Construction in progress	\$ 179,959	\$ 14,574	\$ (194,533)	\$ -
Total capital assets, not being depreciated	<u>179,959</u>	<u>14,574</u>	<u>(194,533)</u>	<u>-</u>
Capital assets, being depreciated				
Buildings & improvements	47,721,319	783,707	-	48,505,026
Equipment & Furnishings	6,046,118	816,792	194,533	7,057,443
Total capital assets, being depreciated	<u>53,767,437</u>	<u>1,600,499</u>	<u>194,533</u>	<u>55,562,469</u>
Less accumulated depreciation for:				
Buildings & improvements	(8,566,766)	(1,437,807)	-	(10,004,573)
Equipment & Furnishings	(3,932,709)	(807,082)	-	(4,739,791)
Total accumulated depreciation	<u>(12,499,475)</u>	<u>(2,244,889)</u>	<u>-</u>	<u>(14,744,364)</u>
Total capital assets, being depreciated, net	<u>41,267,962</u>	<u>(644,390)</u>	<u>194,533</u>	<u>40,818,105</u>
Total capital assets, net	<u>\$ 41,447,921</u>	<u>\$ (629,816)</u>	<u>\$ -</u>	<u>\$ 40,818,105</u>

**5. LONG TERM OBLIGATIONS**

Convention Center Fund bonds outstanding at December 31, 2019 are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
<b>Convention Center Fund</b>					
Series 2011 Parking Garage	\$ 14,633,000	\$ -	\$ -	\$ 14,633,000	\$ -
Series 2012 Refunding	6,370,000	-	(6,370,000)	-	-
Series 2014 Parking Garage	15,000,000	-	-	15,000,000	-
Series 2014 Renovation and Refunding	159,895,000	-	(250,000)	159,645,000	8,705,000
Series 2015 Refunding	52,065,000	-	(1,545,000)	50,520,000	425,000
Series 2017 Refunding	4,265,000	-	(465,000)	3,800,000	565,000
Series 2018 Parking Garage	18,000,000	-	-	18,000,000	-
Series 2019 Parking Garage	-	6,000,000	-	6,000,000	-
Total	<u>270,228,000</u>	<u>6,000,000</u>	<u>(8,630,000)</u>	<u>267,598,000</u>	<u>9,695,000</u>
Plus: Unamortized premiums	18,908,744	-	(1,408,676)	17,500,068	-
Total Convention Center Fund	<u>\$ 289,136,744</u>	<u>\$ 6,000,000</u>	<u>\$ (10,038,676)</u>	<u>\$ 285,098,068</u>	<u>\$ 9,695,000</u>

***Series 2011 Parking Garage***

On December 6, 2011, the Authority issued \$16 million in parking garage improvement revenue bonds to finance the expansion of the Vine Street parking facility. The Series 2011 term bonds mature December 1, 2016, 2021, 2026, 2031, 2036 and 2041. The stated interest rate on the Series 2011 term bonds ranges from 2.92% to 5.02%.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**5. LONG TERM OBLIGATIONS – CONTINUED**

***Series 2012 Refunding Bonds***

On September 4, 2012, the Authority issued \$42,455,000 of tax and lease revenue anticipation refunding bonds with a true cost of 1.65%, to advance refund \$42,370,000 of outstanding 2002 bonds with a true interest cost of 4.18%. The proceeds of \$42,455,000 (net of \$85,000 in issuance costs) provided for a deposit of \$42,370,000 into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 bonds. As a result, the 2002 bonds are considered to be defeased and the liability for those bonds was removed from the bonds payable balance.

The 2012 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$481,375. This difference, reported in the accompanying basic financial statements as a deferred outflow of resources, is being charged to operations through calendar year 2019 using the straight-line method. The Authority completed the advance refunding to reduce its total bond payments through calendar year 2019 by \$6,240,778 and to obtain an economic gain (difference between the present values of the old and new bond payments) of \$5,836,980.

***Series 2014 Parking Garage***

On July 28, 2014, the Authority issued \$18 million in parking garage improvement revenue bonds to finance the expansion of the Goodale Street parking facility. The Series 2014 term bonds mature December 1, 2018, 2023, 2028, 2033, 2038 and 2043. The stated interest rate on the Series 2014 term bonds ranges from 3.68% to 5.26%.

***Series 2014 Renovation and Refunding Bonds***

On December 1, 2014, the Authority issued \$160,140,000 of tax and lease revenue anticipation and refunding bonds of which \$125,105,000 represented new money for convention center renovations and expansion and \$35,035,000 represented refunding bonds. The Series 2014 serial bonds mature December 1, 2018 through December 1, 2033. The Series 2014 term bond matures December 1, 2035. All Series 2014 bonds except one maturing on or after December 1, 2024 are callable at par beginning December 1, 2024. The stated interest rate on the Series 2014 serial bonds ranges from 3% to 5%.

The Authority issued \$35,035,000 of refunding bonds with a true interest cost of 2.63% to refund \$36,385,000 of outstanding Series 2007 serial bonds. The net proceeds of \$40,575,557 (including a net bond premium of \$5,801,367 less \$260,810 in underwriting fees and other issuance costs) provided for a deposit of \$40,572,448 into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded Series 2007 serial bonds, which were called on December 1, 2017. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$3,344,539. This amount, reported in the accompanying basic financial statements as a deferred outflow of resources, is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next 21 years by \$2,785,050 and resulted in an economic gain (difference between the present values of the old and new bond payments) of \$2,223,931.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**5. LONG TERM OBLIGATIONS – CONTINUED**

***Series 2015 Refunding Bonds***

On October 15, 2015, the Authority issued \$56,150,000 of tax and lease revenue anticipation refunding bonds with a true cost of 2.95%, to refund \$56,150,000 of outstanding 2005 bonds with a true interest cost of 3.65%. The proceeds of \$56,150,000 provided for a deposit of \$56,150,000 into an irrevocable trust with an escrow agent to provide for payment on the 2005 bonds, which were called on December 1, 2015. As a result, the liability for those bonds was removed from the bonds payable balance.

The 2015 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$713,281. This difference, reported in the accompanying basic financial statements as a deferred outflow of resources, is being charged to operations through calendar year 2027 using the straight-line method. The Authority completed the current refunding to reduce its total bond payments through calendar year 2027 by \$9,484,969 and to obtain an economic gain (difference between the present values of the old and new bond payments) of \$7,827,874.

***Series 2017 Refunding Bonds***

On October 16, 2017, the Authority issued \$4,705,000 of tax and lease revenue anticipation refunding bonds with a true cost of 2.05%, to refund \$4,705,000 of outstanding 2007 bonds with a true interest cost of 4.92%. The proceeds of \$4,705,000 provided for a deposit of \$4,705,000 into an irrevocable trust with an escrow agent to provide for payment on the 2007 bonds, which were called on December 1, 2017. As a result, the liability for those bonds was removed from the bonds payable balance.

The 2017 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$128,729. This difference, reported in the accompanying basic financial statements as a deferred outflow of resources, is being charged to operations through calendar year 2027 using the straight-line method. The Authority completed the current refunding to reduce its total bond payments through calendar year 2027 by \$776,979 and to obtain an economic gain (difference between the present values of the old and new bond payments) of \$624,866.

***Series 2018 Parking Garage***

On April 18, 2018, the Authority issued \$18 million in parking garage improvement revenue bonds to finance the expansion of the Ohio Center parking facility. The Series 2018 term bonds mature December 1, 2022, 2027, 2032, and 2037. The stated interest rate on the Series 2018 term bonds ranges from 4.65% to 4.91%.

***Series 2019 Parking Garage***

On June 26, 2019, the Authority issued \$6 million in parking garage improvement revenue bonds to finance the expansion of the Ohio Center parking facility. The Series 2019 term bonds mature December 1, 2024, 2029, and 2034. The stated interest rate on the Series 2019 term bonds ranges from 4.08% to 4.40%.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**5. LONG TERM OBLIGATIONS – CONTINUED**

Hotel Fund bonds outstanding at December 31, 2019 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Hotel Fund</b>					
Series 2010					
Lease Revenue Bonds	\$ 152,420,000	\$ -	\$ (2,870,000)	\$ 149,550,000	\$ 3,055,000
Series 2019					
Hotel Revenue Bonds	-	151,815,000	-	151,815,000	-
Lease Appropriation Bonds	-	91,765,000	-	91,765,000	-
 Total Hotel Bonds	<u>152,420,000</u>	<u>243,580,000</u>	<u>(2,870,000)</u>	<u>393,130,000</u>	<u>3,055,000</u>
 Unamortized Premiums	-	44,237,737	(115,202)	44,122,535	-
 Total Hotel Fund	<u>\$ 152,420,000</u>	<u>\$ 287,817,737</u>	<u>\$ (2,985,202)</u>	<u>\$ 437,252,535</u>	<u>\$ 3,055,000</u>

***Series 2010***

On February 10, 2010, the Authority issued \$160 million in Series 2010 lease revenue anticipation bonds for the purpose of providing funds to (i) pay costs of constructing, equipping, and furnishing a full-service convention center hotel and auxiliary facilities, (ii) fund a bond reserve fund, (iii) pay capitalized interest through August 31, 2012, and (iv) pay costs incurred in connection with the issuance of the Series 2010 Bonds. The Series 2010 serial and term bonds mature December 1, 2016 through December 1, 2042. The stated interest rate on the Series 2010 serial and term bonds ranges from 4.47% to 6.64%.

***Series 2019 – Project Revenue Bonds***

On November 20, 2019, the Authority issued \$151,815,000 in Series 2019 project revenue bonds for the purpose of providing funds to (1) finance a portion of the costs of expanding the existing full-service convention center hotel, (2) fund a debt service reserve fund, (3) fund capitalized interest for the 2019 project revenue bonds through December 1, 2022, and (4) pay certain costs of issuance related to the 2019 project revenue bonds. The Series 2019 hotel project revenue serial and term bonds mature December 1, 2025 through December 1, 2051. The stated interest rate on the Series 2019 serial and term bonds is 5.00%.

***Series 2019 – Lease Appropriation Bonds***

On November 20, 2019, the Authority issued \$91,765,000 in Series 2019 lease appropriation bonds for the purpose of providing funds to (1) finance a portion of the costs of expanding the existing full-service convention center hotel, (2) fund capitalized interest for the 2019 lease appropriation bonds through December 1, 2022, and (3) pay certain costs of issuance related to the 2019 lease appropriation bonds. The Series 2019 lease appropriation serial and term bonds mature December 1, 2025 through December 1, 2051. The stated interest rate on the Series 2019 lease appropriation serial and term bonds ranges from 4.00% to 5.00%.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**5. LONG TERM OBLIGATIONS – CONTINUED**

Arena Fund bonds outstanding at December 31, 2019 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Arena Fund</b>					
First Lien Lease Revenue Bonds	\$ 6,600,000	\$ -	\$ (731,583)	\$ 5,868,417	\$ 275,800
Second Lien Lease Revenue Bonds	59,779,056	2,914,229	-	62,693,285	-
Total Arena Fund	<u>\$ 66,379,056</u>	<u>\$ 2,914,229</u>	<u>\$ (731,583)</u>	<u>\$ 68,561,702</u>	<u>\$ 275,800</u>

***2012 First Lien Arena Lease Revenue Bonds***

On March 28, 2012, the Authority issued \$10 million first lien arena lease revenue bonds to finance a portion of the purchase of Nationwide Arena. The first lien arena lease revenue bonds were acquired by the Director of Development on behalf of the State of Ohio. The arena lease revenue bonds mature on December 30, 2017, 2018, 2019, 2020 and 2021, with the final maturity subject to limited extension to accommodate principal forgiveness. The principal amount due at the final maturity may be reduced by up to \$500,000 for each year in which certain economic development incentive targets are met to the satisfaction of the State of Ohio in the manner described in the Bond Legislation. During the year, the Authority met the annual incentive target. In accordance with the State Loan Agreement, the Authority’s principal balance was reduced by \$500,000.

The stated interest rate on the arena lease revenue bonds is 1.00%. In addition, during any time that principal amounts remain outstanding under the bonds, the Authority shall pay a servicing fee equal to one half of one quarter of one percent of the remaining principal amount then outstanding on the bonds, payable in arrears on a semi-annual basis as of June 30<sup>th</sup> and December 31<sup>st</sup> of each year.

On January 30, 2018, the Authority amended the first lien arena lease revenue bonds agreement, dated March 28, 2012, with the Ohio Development Services Agency. In accordance with the amendment, \$5,000,000 in principal of the bonds, together with all servicing fees and all interest accruing on the bonds, originally having \$1,000,000 annual payments due December 31, 2017-2021, will be satisfied and replaced by: (1) \$1,000,000 payable in five annual cash payments; and (2) at least \$4,000,000 in payments in cash or in-kind in the form of advertising. The annual cash payment of \$200,000 per year for five years shall be due on or before December 31 of each year beginning in calendar year 2017, except for calendar year 2017, for which payment shall be due 30 days after receipt of a written invoice from the Ohio Development Services Agency. The Authority paid \$200,000 during the year.

The additional \$4,000,000 in payments in cash or in-kind in the form of advertising shall be due on or before December 31 of each year in calendar years 2018 through 2030 in amounts ranging from \$31,583 to \$353,867 per year. During the year, the Authority’s principal balance was reduced by \$31,583 for in-kind advertising.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**5. LONG TERM OBLIGATIONS – CONTINUED**

***2012 Second Lien Arena Lease Revenue Bonds***

On March 28, 2012, the Authority issued \$44,208,764 in second lien arena lease revenue bonds to finance a portion of the purchase of Nationwide Arena and to finance other capital and operating activities. The second lien arena lease revenue bonds were acquired by Nationwide Arena LLC. The second lien arena lease revenue bonds mature on December 30, 2039 and are callable for redemption at the option of the Authority, in whole or in part in such series as the Authority shall determine at any time at the redemption price of 100% of the principal amount to be redeemed plus accrued interest to the redemption date. The stated interest rate on the arena lease revenue bonds is 4.875%.

Beginning in calendar year 2013, the Authority began receiving a percentage of casino tax collections from the City and County. These collections are used fund operations, land lease payments, real estate taxes, and capital improvements of the arena. Once these obligations have been satisfied, any remaining collections will be applied to debt service. If casino tax collections are insufficient to pay debt service, Nationwide has agreed to defer payments until revenues are available. There is no obligation on the part of the Authority to cover outstanding debt for the arena if casino tax collections prove inadequate. During the year, casino tax collections from the City and County were insufficient to pay the interest payment due to the bondholder. In accordance with the bond agreement, \$2,914,229 was added to the Authority’s principal balance.

***Bond Principal and Interest Payments***

Bonds mature on December 1. Interest on the term and serial bonds is payable semiannually on June 1 and December 1. Interest has been accrued on all bonds through December 31, 2019. 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, 2051. Principal and interest requirements to retire the Authority’s bonds are as follows:

	<b>Convention Center Fund</b>		<b>Hotel Fund</b>		<b>Arena Fund</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 9,695,000	\$ 11,775,464	\$ 3,055,000	\$ 21,520,296	\$ 275,800	\$ 2,914,229
2021	11,880,000	11,316,067	3,250,000	21,461,836	2,053,875	2,914,229
2022	15,015,000	10,948,747	3,455,000	21,287,961	353,875	2,914,229
2023	13,890,000	10,386,303	3,670,000	21,099,663	353,875	2,914,229
2024	12,280,000	9,903,991	3,895,000	20,897,813	353,875	2,914,229
2025-2029	74,905,000	42,212,378	40,285,000	99,191,084	1,769,375	14,571,145
2030-2034	93,061,000	23,674,174	56,810,000	85,690,939	353,875	14,571,145
2035-2039	29,436,000	4,418,951	76,375,000	66,910,501	353,867	14,571,145
2040-2044	7,436,000	1,076,574	87,290,000	42,386,628	62,693,285	2,914,229
2045-2049	-	-	78,080,000	21,333,500	-	-
2050-2054	-	-	36,965,000	2,795,000	-	-
	<u>\$ 267,598,000</u>	<u>\$ 125,712,649</u>	<u>\$ 393,130,000</u>	<u>\$ 424,575,221</u>	<u>\$ 68,561,702</u>	<u>\$ 61,198,809</u>



**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**5. LONG TERM OBLIGATIONS – CONTINUED**

*Pledged Revenues*

Revenues from the operation of all parking facilities owned by the Authority have been pledged towards the payment of debt service due on parking facility bonds. The lender with respect to the Authority's parking facilities has no recourse against other revenues or assets of the Authority.

All expenses for which the Authority is responsible with respect to Nationwide Arena, including debt service payments, are funded solely from, and only to the extent of, (i) the Authority's receipt of casino tax revenue appropriated by the City and the County, and (ii) certain moneys expected to be received by the Authority with respect to the Expanded Hotel after payment of the annual requirements for its bonds issued to finance the Expanded Hotel. Lenders with respect to Nationwide Arena have no recourse against other revenues or any assets of the Authority.

*Defeased Debt Outstanding*

As noted above, the Authority has defeased various bond issues by creating separate irrevocable trust funds. When such debt has been issued, the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Authority's financial statements. As of December 31, 2019, the amount of defeased debt outstanding was \$0.

**6. RESTRICTED CASH AND INVESTMENTS**

In accordance with the Convention Center Fund bond indentures, the Authority created the project construction and bond payment funds to provide for the payment of construction costs and bond principal and interest, as well as the debt service and rental reserve funds to provide for the payment of bond principal and interest in the event the amount in the bond payment fund is insufficient. The debt service reserve requirement is an amount equal to the maximum bond service charges payable with respect to the outstanding bonds during any bond year, without regard to any optional redemption. The rental reserve requirement is an amount equal to one-half of the maximum bond service charges payable with respect to the outstanding bonds during any bond year, without regard to optional redemption.

Additionally, for the Convention Center Fund, 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 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. If after the application of foregoing amounts, additional amounts are required to meet the City's and the County's obligations under the lease, such amounts will be paid by the City and the County, in equal shares, from their general resources, provided that their respective legislative bodies have appropriated funds for such purpose.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**6. RESTRICTED CASH AND INVESTMENTS - CONTINUED**

In accordance with the 2010 Hotel Fund bond indenture, the Authority created the project construction and bond payment funds to provide for the payment of construction costs and bond principal and interest, as well as the debt service and rental reserve funds to provide for the payment of bond principal and interest in the event the amount in the bond payment fund is insufficient. The debt service reserve requirement is equal to one-half of the maximum bond service charges payable with respect to the outstanding bonds during any bond year (excluding the final bond year), without regard to any optional redemption. The rental reserve requirement is \$8.0 million.

Additionally, for the Hotel Fund, in accordance with the Cooperative Agreement dated January 1, 2010 among the Authority, Franklin County, and the City of Columbus, the County will provide necessary funds for the payment of bond principal and interest if the rental reserve and debt service funds are depleted. These amounts are subject to annual appropriation by the County. As an additional precaution, the Cooperative Agreement provides for the City to establish by January 1, 2012, a Parking Meter Contribution Fund with a balance of \$1.4 million to assist with debt service payments if the rental reserve fund has been depleted. The Hotel Cooperative Agreement also provides for the Authority to establish a ground lease rents fund to assist with debt service payments if the rental reserve fund has been depleted. The parking meter contribution fund, the ground lease fund and the rental reserve fund will be used prior to use of the debt service reserve fund. All funds are replenished annually to required balances if such funds are used for debt service.

Per the 2019 Hotel Fund bond indenture, the Authority created several new project construction and bond payment funds for the hotel to provide for the payment of construction costs and bond principal and interest payments. In accordance with the First Supplement to the Cooperative Agreement dated January 1, 2010, several new reserve accounts were established to provide for the payment of 2010 and 2019 bond principal and interest in the event that amounts in the bond payment fund are insufficient. Such funds include a new debt service reserve fund for Hotel Project Revenue Bonds Series 2019 with a reserve requirement equal to \$15,181,500; a hotel consolidated bond fund for both the 2010 bond issue and the 2019 bond issue (both series) with a reserve requirement equal to \$25.0 million; and a new 2010 bond payment fund with an initial reserve requirement of \$2.0 million. The consolidated bond fund and the 2010 bond payment fund, along with the parking meter contribution fund, the ground lease fund and the rental reserve fund will be used prior to the 2010 and 2019 debt service reserve funds to pay principal and interest. All funds are replenished annually to required balances if such funds are used for debt service. Additionally, for the 2019 Bond Fund, in accordance with the First Supplement to the Cooperative Agreement dated January 1, 2010, the City and County will provide necessary funds for the payment of bond principal and interest for only the Lease Appropriation Bonds, Series 2019 if the consolidated bond fund is depleted. This payment is subject to annual appropriation by the City and County.

The First Supplement to the Cooperative Agreement dated January 1, 2010 also established a new fund for the deposit of residual monies available after all hotel debt service and interest payments are met and all hotel reserve funds are fully funded. This reserve fund is restricted per terms of 2019 Hotel Fund bond indenture.

For the Arena Fund, in accordance with the Arena Management Agreement, the Authority is required to maintain an Arena capital improvements fund. Each year, the Authority is required to make deposits to the fund to the extent casino tax revenues are available. In 2019, casino tax deposits of \$360,718 were made to the fund and interest earned was \$5,609. At year-end, the balance in this fund was \$566,326. The entire balance is reported as Restricted Investments in the Statement of Net Position.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**6. RESTRICTED CASH AND INVESTMENTS - CONTINUED**

The balances in the Convention Center and Hotel funds at year-end, which are also reported as Restricted Cash and Restricted Investments in the Statement of Net Position, as well as the required balances, were as follows:

	Convention Center Fund		Hotel Fund	
	Required Balance	Restricted Balance	Required Balance	Restricted Balance
Construction Fund	\$ 10,248,662	\$ 10,248,662	\$ 224,416,074	\$ 224,416,074
Bond Payment Fund	4,882,810	4,882,810	-	-
Debt Service Reserve Fund	19,354,000	19,354,139	-	-
2010 Bond Payment Fund	-	-	4,394,300	4,394,300
2019 Bond Payment Fund	-	-	36,043,450	36,043,450
Consolidated Bond Fund	-	-	25,000,000	25,560,208
2010 Debt Service Reserve Fund	-	-	6,391,264	6,413,124
2019 Debt Service Reserve Fund	-	-	15,181,500	15,183,218
Rental Reserve Fund	9,677,000	9,693,139	8,000,000	8,334,246
Operating Reserve Fund	-	-	2,400,000	2,400,000
FF&E Reserve Fund	167,507	167,507	6,736,578	6,736,578
Ground Lease Rents Fund	-	-	1,000,000	1,610,781
Other	-	-	1,902,687	1,902,687
Total	\$ 44,329,979	\$ 44,346,257	\$ 331,465,853	\$ 332,994,666

**7. FACILITY OPERATOR AGREEMENTS**

**A. Convention Center**

The management, operations and marketing of the Greater Columbus Convention Center (herein referred to as Convention Center) is facilitated through a Consulting, Marketing and Management Agreement with SMG. The main term of the current agreement commenced on January 1, 2012 and ended at midnight on December 31, 2014. In accordance with the terms of the agreement, the Authority extended the term of the agreement on the same terms and conditions for an additional two-year period commencing January 1, 2015 and ending December 31, 2016 by giving written notice of such extension to SMG. At the end of the renewal term, the Authority extended the agreement under the same conditions for an additional one-year period commencing January 1, 2017 and ending December 31, 2017. On August 16, 2017, the Authority extended the agreement for an additional two-year period ending December 31, 2019.

As part of this agreement SMG is responsible for the financial activity of the Convention Center. SMG financially manages all revenues collected by the Convention Center from rental income; income from food and beverage sales; retail mall and food court lease income and revenue received from the operation of parking lots. In turn, SMG utilizes these revenues to pay for expenses associated with operating the facility (i.e., salaries of permanent and temporary staff who orchestrate events and handle administrative functions; utility expenses; the promotion and advertising of the Convention Center; and general facility maintenance and repair expenses). Financial activity of the Convention Center is audited annually and reviewed by management.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**7. FACILITY OPERATOR AGREEMENTS – CONTINUED**

Bottom line performance of the Convention Center is incorporated annually into the Authority’s basic financial statements as a reported change to gain/loss from center operations. During the fiscal year, SMG paid the Authority \$4,878,034 and the receivable amount at fiscal year-end was \$2,930,246.

As base compensation to SMG for providing services, the Authority shall pay SMG during each fiscal year of the main term and the renewal term, if any, an annual fixed fee as follows:

Year	Fixed Fee
2012	2010 Base Fee under the 2006 Management Agreement as adjusted by change in CPI-U from January 1, 2011 through December 31, 2011.
2013-2019	Based upon prior year, as adjusted below by change in CPI-U

For each of the calendar years during the main term (commencing with the 2013 calendar year), the fixed fee shall be equal to the fixed fee for the immediately preceding calendar year, increased or decreased by the lesser of (i) the percentage change in the CPI-U, during the one year period ending in November 30 immediately preceding such calendar year, or (ii) three percent (3%). The foregoing annual fixed compensation shall be payable in equal monthly installments due on or before the last day of each month during such calendar year.

SMG is also entitled to annual quantitative and qualitative incentive fees, as defined, with respect to each calendar 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 70% of the fixed fee payable as discussed above. The qualitative incentive fee cannot exceed 30% 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. SMG’s incentive fees during the calendar year were \$309,125.

In accordance with the terms of the Management Agreement, the Authority is required to provide the operator certain operating funds sufficient to meet operating expenses. During the calendar year, the Authority provided SMG with \$0 to meet operating expenses.

In addition to the Authority’s agreement with SMG, food and beverage operations are facilitated through a contract with Levy Premium Foodservice Limited Partnership (Levy). The five-year contract commenced on November 10, 2016 terminates on the last day of the last month of the fifth anniversary of the commencement date. The Authority has an option to extend for an additional three year term by providing written notice at least 60 days prior to the end of the then-current term. The Authority also has the option to terminate the contract agreement at any time if Levy breaches any term of the agreement and the breach is not cured within 15 days or cannot be cured.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**7. FACILITY OPERATOR AGREEMENTS – CONTINUED**

As base compensation for providing services, the Authority shall pay Levy a Base Management Fee equal to the lesser of (a) \$200,000 per contract year, or (b) 2.25% of gross receipts. The Base Management Fee will remain fixed during the initial term and will be reset, based on the consumer price index, at the beginning of any renewal term. In addition, Levy has an opportunity to earn an Annual Incentive Fee, up to 2% of gross receipts each calendar year, not to exceed \$100,000, if certain minimum operating criteria are met, as set forth in the agreement.

**B. Hotel**

On July 16, 2010, the Authority executed a hotel operating agreement with Hilton Management, LLC (Manager) to manage and operate the Hotel, consisting of approximately 532 hotel guest rooms, approximately 22,750 square feet of net usable meeting space, a ballroom of at least 12,000 square feet, a pedestrian skybridge connecting directly to the Convention Center and other supporting facilities associated therewith. The term of the hotel operating agreement commenced on the opening date and continues for a period of 15 years from the date from and after the opening date.

*Executive Bonus Fee* – Commencing with the first full calendar year following the year in which the opening date occurs and continuing for each operating year thereafter during the operating term, the Manager shall be paid the amount of \$322,000, as the then applicable fixed executive bonus fee, provided that such amount for each operating year after the first calendar year shall be increased by a percentage equal to the percentage change in the REVPAR (revenue per available room) index from the prior operating year and as established at the annual budget meeting. Bonuses to executive staff shall be payable from the fixed executive bonus fee. However, to the extent the amount of bonuses earned by executive staff members is greater than the fixed executive bonus fee, the Manager shall be paid an additional variable executive bonus fee equal to the amount that actual bonuses to executive staff members is greater than the available fixed executive bonus fee, up to an amount that does not exceed five percent of the total amount of the management fees plus the fixed executive bonus fee paid to Manager for the respective operating year.

*Base Management Fee* – The base management fee shall mean that portion of the management fee set forth opposite the applicable period of time as set forth in the table below:

Opening Date through the immediately succeeding December 31	\$502,000 multiplied by the number of days occurring from the opening date through the immediately succeeding December 31, divided by 365.
First Full Operating Year	\$502,000
Second Full Operating Year	\$691,000
Third Full Operating Year	\$898,000
Fourth Full Operating Year and thereafter	\$937,000, provided that the base management fee payable for each succeeding operating year shall be increased or decreased by the percentage increase or decrease in the REVPAR of the competitive set from the prior operating year.

One twelfth of the annual base management fee for the applicable operating year shall be paid on the first business day of each month in each operating year in arrears.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**7. FACILITY OPERATOR AGREEMENTS - CONTINUED**

Subordinate Management Fee – The subordinate management fee shall mean that portion of the management fee set forth opposite the applicable period of time as set forth in the table below:

Fourth Full Operating Year	\$234,000
Fifth Full Operating Year	\$270,000
Sixth Full Operating Year and thereafter	\$324,000, provided that the subordinate management fee payable for each succeeding operating year shall be increased or decreased by the REVPAR change.

The Subordinate Management Fee will be subordinated to certain other payments as provided for in the hotel operating agreement.

**C. Arena**

On March 28, 2012, the Authority entered into an Arena Management Agreement with Columbus Arena Management LLC (CAM) to manage and operate Nationwide Arena. The agreement provided that CAM be responsible for the financial results of the Arena operations effective January 1, 2012.

The Arena Management Agreement requires the Authority to provide a pre-determined annual funding amount to be used for Arena operational expenses to the extent casino tax revenues are available. For calendar year 2019, the Authority contributed \$4,845,812.

**8. VACATION, SICK AND PERSONAL LEAVE**

Authority employees are granted vacation, sick, and personal leave at amounts which vary by length of service. In the event of termination, employees are reimbursed for accumulated vacation and personal leave, along with a percentage of their sick leave balance based on years of service at the employee’s current wage.

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

Changes in compensated absences balances for the fiscal year are as follows:

	Beginning Balance	Earned	Used	Ending Balance	Due Within One Year
Calendar Year 2019	\$ 216,205	\$ 107,573	\$ (96,294)	\$ 227,484	\$ -

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**9. OPERATING LEASES**

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 the Convention Center, and the Columbus Hotel Community Urban Redevelopment Corporation lease.

In addition to the lease agreements noted below, 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 guaranties. These leases are retail leases with various retail terms. The retail lease revenue is recognized by the operators of the facility in accordance with the operating method.

***Columbus Hotel Community Urban Redevelopment Corporation***

The Authority leases land to the Columbus Hotel Community Urban Redevelopment Corporation (the Hyatt) for a term that commenced on December 23, 1978 and ends on July 19, 2051, unless sooner terminated in accordance with the lease agreement. The Hyatt pays the Authority lease rent at the annual rate of \$125,000. The Authority receives additional compensation from the Hyatt if the Hyatt meets certain targets for cash flow. Additional compensation for the calendar year was \$1,665,598. SMG, the Authority’s facility operator, also recorded revenues of \$1,119,187 during the calendar year from Ohio Center Hotel Company, LTD. (an affiliate of Hyatt) for providing services consisting primarily of utilities, parking and meeting space rentals.

***Drury Inns, Inc.***

On February 20, 2001, the Authority entered into a ground lease agreement with Drury Inns, Inc. (the Tenant) under which the Tenant leased land from the Authority and developed the land with a hotel and related improvements. The term of the lease commenced on February 20, 2001 and expires on the last day of the 25<sup>th</sup> lease year, unless the term is extended or the lease is validly canceled before then.

The Tenant has the option to extend the term for a period of ten lease years by giving notice of the exercise of the option any time prior to the 365<sup>th</sup> day before the last day of the 25<sup>th</sup> lease year. If the Tenant exercises the option to extend the term for a period of ten lease years, the Tenant shall have an additional option to extend the term for another period of ten lease years by giving notice of the exercise of the option any time prior to the 365<sup>th</sup> day before the extended expiration date. If the Tenant exercises the second option granted, the Tenant shall have the additional option to extend the term through July 19, 2051 by giving notice of the exercise of the option any time prior to the 365<sup>th</sup> day before the extended expiration date.

The Tenant pays the Authority basic rent, as well as percentage rent, which is the amount by which a certain percentage of revenue exceeds basic rent. Applicable amounts are as follows:

Lease Years	Basic Rent	Percentage Rent
Years 1 through 5, per annum	\$125,000	4%
Years 6 through 10, per annum	\$150,000	4.75%
Years 11 and after, per annum	\$175,000	4.75% of the first \$6,000,000 and 5.5% of any excess of \$6,000,000

For the year 2019, the Tenant paid the Authority \$175,000 in base rent. Additional compensation for calendar year 2019 was \$175,550, of which \$22,370 was receivable at year-end.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
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**10. DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued liabilities and other* on the accrual basis of accounting.

***Plan Description***

Plan Description - Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.



**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**10. DEFINED BENEFIT PENSION PLANS - CONTINUED**

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**10. DEFINED BENEFIT PENSION PLANS - CONTINUED**

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2019 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$128,486 for 2019. Of this amount, \$17,757 is reported as *accrued liabilities and other*.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS were measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension asset/liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	Total
Proportionate Share of the Net Pension Liability	\$ 1,644,374	\$ -	\$ 1,644,374
Current Measurement Date	0.006004%	0.000000%	
Prior Measurement Date	<u>0.006097%</u>	<u>0.000000%</u>	
Change in Proportionate Share	<u>-0.000093%</u>	<u>0.000000%</u>	
Pension Expense	\$ 397,673	\$ 894	\$ 398,567

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**10. DEFINED BENEFIT PENSION PLANS - CONTINUED**

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 76	\$ -	\$ 76
Net difference between projected and actual earnings on pension plan investments	223,188	-	223,188
Changes of assumptions	143,147	-	143,147
Changes in proportionate share	23,536	13,571	37,107
Authority contributions subsequent to the measurement date	128,486	-	128,486
Total Deferred Outflows of Resources	<u>518,433</u>	<u>13,571</u>	<u>532,004</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	21,592	-	21,592
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportionate share	10,637	6,983	17,620
Total Deferred Inflows of Resources	<u>\$ 32,229</u>	<u>\$ 6,983</u>	<u>\$ 39,212</u>

\$128,486 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as pension expense in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>Total</u>
Year Ending December 31:			
2020	\$ 166,246	\$ 894	\$ 167,140
2021	66,971	894	67,865
2022	20,704	894	21,598
2023	103,797	894	104,691
2024	-	894	894
Thereafter	-	2,118	2,118
Total	<u>\$ 357,718</u>	<u>\$ 6,588</u>	<u>\$ 364,306</u>

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**10. DEFINED BENEFIT PENSION PLANS - CONTINUED**

*Actuarial Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions and methods applied to all prior periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre-1/7/13 Retirees: 3 percent, simple Post-1/7/13 Retirees: 3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

**Discount Rate** The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Authority’s proportionate share of the net pension liability calculated using a discount rate of 7.2 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
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**10. DEFINED BENEFIT PENSION PLANS - CONTINUED**

	1% Decrease (6.20%)	Single Discount Rate (7.20%)	1% Increase (8.20%)
Authority's proportionate share of the net pension liability	\$ 2,429,218	\$ 1,644,374	\$ 99,216

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

The following table displays the OPERS Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 2.94% for 2018.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
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**11. DEFINED BENEFIT OPEB PLAN**

***Net OPEB Liability***

The net OPEB liability reported on the statement of net position represents a liability to employees for other post-employment benefits (OPEB). OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year would be included in *accrued liabilities and other* on the accrual basis of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Health Care Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
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**11. DEFINED BENEFIT OPEB PLAN - CONTINUED**

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2019, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

With the assistance of OPERS' actuary and OPERS Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was zero for 2019. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$0 for 2019.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
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**11. DEFINED BENEFIT OPEB PLAN - CONTINUED**

***OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS OPEB Plan
Proportionate Share of the Net OPEB Liability	\$ 794,253
Current Measurement Date	0.0060920%
Prior Measurement Date	0.0061800%
Change in Proportionate Share	-0.0000880%
 OPEB Expense	 \$ 79,585

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS OPEB Plan
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$ 269
Net difference between projected and actual earnings on pension plan investments	36,412
Changes of assumptions	25,608
Changes in proportionate share	11,753
Total Deferred Outflows of Resources	\$ 74,042
 <b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$ 2,155
Changes in proportionate share	6,409
Total Deferred Inflows of Resources	\$ 8,564



**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**11. DEFINED BENEFIT OPEB PLAN - CONTINUED**

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	OPERS OPEB Plan
2020	\$ 36,078
2021	5,158
2022	5,899
2023	18,343
Total	\$ 65,478

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Wage Inflation		3.25%
Projected Salary Increases	3.25% - 10.75%	(includes wage inflation at 3.25%)
Single Discount Rate		3.96%
Investment Rate of Return		6.00%
Municipal Bond Rate		3.71%
Health Care Cost Trend Rate		10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method		Individual entry age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**11. DEFINED BENEFIT OPEB PLAN - CONTINUED**

**Discount Rate** A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Single Discount Rate (3.96%)	1% Increase (4.96%)
Authority's proportionate share of the net OPEB liability	\$ 1,016,146	\$ 794,253	\$ 617,790

**Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
Authority's proportionate share of the net OPEB liability	\$ 763,449	\$ 794,253	\$ 829,730

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**11. DEFINED BENEFIT OPEB PLAN - CONTINUED**

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
REITs	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
<b>Total</b>	<b>100.00 %</b>	<b>5.16 %</b>

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is a loss of 5.6 percent for 2018.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**12. JOINT VENTURE**

On March 28, 2012, the Authority, COLHOC Limited Partnership (COLHOC), Nationwide Arena, LLC (Nationwide), and The Ohio State University (Ohio State) formed Columbus Arena Management, LLC (CAM), a limited liability company, to operate, manage, maintain, repair and improve Nationwide Arena (Arena), and to serve as a joint undertaking to share expenses in connection therewith.

The Authority has entered into a long-term Arena Management Agreement with CAM. The agreement requires the Authority to provide pre-determined annual funding amount to be used for Arena operational expenses and capital improvements. These funding amounts are scheduled to increase 3.5% per year for the term of the agreement, which expires September 15, 2039.

The Authority's obligation to provide these annual funding amounts are contingent upon receiving sufficient proceeds from the City of Columbus and Franklin County based a percentage of casino receipts. Such amounts are currently and projected to continue to be insufficient to provide the necessary funding to the Authority and thus resulting in the Authority's inability to adequately fund capital improvements and debt service.

For calendar year 2019, the Authority's required and actual annual funding amounts were as follows:

<u>Description</u>	<u>Required Funding Amount</u>	<u>Actual Funding Amount</u>
Operational Expenses	\$ 4,845,812	\$ 4,845,812
Land Lease Expense	165,000	165,000
Real Estate Tax Reserve	332,615	332,615
Capital Improvements	7,754,440	360,718
Debt Service	4,442,378	-
Total Receipts from City and County:		<u>\$ 5,704,145</u>

COLHOC, Nationwide, and Ohio State are required to contribute towards any operating deficit exceeding the Authority's annual funding amount plus any available operating reserves established from prior years' operating surpluses. These priority and extraordinary contributions would be made on an annual basis and COLHOC, Nationwide, and Ohio State each would contribute a proportionate share, except that Ohio State is not obliged to make aggregate contributions exceeding \$7 million. This commitment extends until September 15, 2039.

Operating surpluses in any fiscal year will be allocated (1) to reimburse extraordinary contributions from prior fiscal years; (2) to fund an operating reserve account to the target amount, currently \$6 million; (3) to reimburse priority contributions from prior fiscal years; and (4) to the Authority for the purpose of the advancement and promotion of arena, convention facilities, and sports purposes in the Franklin County, Ohio area. At June 30, 2018 (most recent audited information available), CAM's operating reserve account balance was \$2,380,717. CAM financial statements were audited independently and are available upon request.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**13. DISAGGREGATED PAYABLE BALANCES**

The details of accrued liabilities and other, as reported in the Statement of Net Position, are as follows:

	<b>Convention Center Fund</b>	<b>Hotel Fund</b>	<b>Arena Fund</b>
Accrued Salaries Payable	\$ 23,337	\$ -	\$ -
Accrued Pension and Taxes Payable	28,446	-	-
Accrued Property Taxes Payable	164,778	35,000	586,000
Unearned Revenue - Leases	124,584	-	-
Accrued liabilities and other	<u>\$ 341,145</u>	<u>\$ 35,000</u>	<u>\$ 586,000</u>

**14. INTERFUND ACTIVITY**

The Authority committed hotel/motel tax related to the Hilton to debt service in the Hotel Fund as well as \$3.5 million towards the Hilton Hotel Expansion Project. Interfund transfers in the amount of \$1,195,288 and \$2,245,486 from the Convention Center Fund to the Hotel Fund during the calendar year are the result of these commitments, respectively. In addition, the Authority transferred funds in the amount of \$496,214 from the Convention Center Fund to the Arena Fund. This amount represents expenses related to the Arena Fund that the Convention Center Fund does not expect to receive reimbursement.

**15. RISK MANAGEMENT**

The Authority is subjected to certain types of risks in the performance of its normal functions. They include risks 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 has not exceeded insurance coverage for any of the past three calendar years. There has not been a significant reduction of coverage since the prior year in any of the major categories of risk.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**16. CONTRACTUAL COMMITMENTS**

At calendar year-end, the Authority had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Contract</u>	<u>Contract Amount</u>	<u>Amount Outstanding</u>
Midland Engineering	South Facility Roof Replacement	\$ 3,084,600	\$ 585,800
Schooley Caldwell	Design Services - South Facility Roof Replacement	245,000	40,250
Corna Kokosing Construction	Construction Services - Battelle Hall	669,907	55,547
Corna Kokosing Construction	Construction Services - Garage Project	22,768,219	5,581,051
Schooley Caldwell	Design Services - Garage Project	1,281,500	50,585
Willis Tower Watson	OCIP Administration Services	83,145	49,887
Omar Shaheed	Exterior Art - Wall Sculpture	100,000	55,000
Turner/Smoot Construction	Construction Services - Hotel Expansion	178,498,187	172,681,983
Cooper Carry	Design Services - Hotel Expansion	9,285,523	2,812,318
Bray Whaler	FF&E Purchasing Services - Hotel Expansion	280,100	241,803
		<u>\$ 216,296,181</u>	<u>\$ 182,154,224</u>

The outstanding balance noted above represents the difference between the contract amount and total services completed and stored to-date through the end of the year.

**17. CHANGES IN ACCOUNTING PRINCIPLES**

For year ended December 31, 2019, the Authority has implemented the following:

*GASB Statement No. 83 "Certain Asset Retirement Obligations"* will enhance comparability of financial statements among governmental by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations, including obligations that may not have been previously reported. The implementation of this statement did not have an effect on the financial statements of the Authority.

*GASB Statement No. 84 "Fiduciary Activities"* will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The implementation of this statement did not have an effect on the financial statements of the Authority.

*GASB Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements"* improves the information that is disclosed in the notes of the governmental financial statements related to debt, including debt borrowings and direct placements. This statement also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this statement did not have a significant effect on the financial statements of the Authority.

*GASB Statement No. 90 "Majority Equity Interests"* will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. The implementation of this statement did not have an effect on the financial statements of the Authority.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**18. SUBSEQUENT EVENTS**

On December 4, 2019, the Authority executed an amended and restated hotel operating agreement with Hilton Management, LLC, effective January 1, 2020, to engage the hotel operator to continue its management and operation of the hotel, including the management and operation of the new hotel tower. The initial operating term of the amended and restated hotel operating agreement will commence on January 1, 2020 and continue until October 18, 2027. Upon the expansion opening date, the operating term shall be automatically extended to expire on the date that is twenty-three years from and after the expansion opening date.

On January 1, 2020, the Authority extended the Consulting, Marketing and Management Agreement with SMG for an additional two-year period ending December 31, 2021.

On January 30, 2020, the Authority issued a \$51,500,000 Second Lien Convention Facilities Authority Arena Lease Refunding Revenue Bond, Series 2020, to refund \$61,479,023 (including outstanding principal and accrued interest) of outstanding Series 2012 Second Lien Arena Lease Revenue Bonds. The Series 2020 refunding bond matures on December 15, 2029. The principal amount of the refunding bond which is outstanding after the maturity date shall bear interest at the rate of four percent (4.00%) per annum until the principal amount thereof is paid or duly provided for, based on a 365 or 366-day year, as applicable, for the number of days elapsed. The carrying amount of the old debt exceeded the reacquisition price by approximately \$10.0 million. This amount will be reported as a deferred inflow of resources and will be amortized over the remaining life of the refunding bond, which is shorter than the life of the refunded bond.

In March 2020, the United States and the State of Ohio declared a state of emergency due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. The Authority's investment portfolio and the investments of the pension and other employee benefit plan in which the Authority participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Franklin County Convention Facilities Authority**  
**Required Supplementary Information**  
**Schedule of Authority's Proportionate Share of the Net Pension (Asset)/Liability**  
**Ohio Public Employees Retirement System**

**Last Six Years (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension (Asset)/Liability						
Traditional Plan	0.006004%	0.006097%	0.005651%	0.005442%	0.006048%	0.006048%
Combined Plan	N/A	N/A	0.002450%	0.041750%	N/A	N/A
Authority's Proportionate Share of the Net Pension (Asset)/Liability						
Traditional Plan	\$ 1,644,374	\$ 956,501	\$ 1,283,246	\$ 942,623	\$ 729,456	\$ 712,980
Combined Plan	N/A	N/A	\$ (1,363)	\$ (20,316)	N/A	N/A
Authority's Covered Payroll	\$ 887,229	\$ 876,262	\$ 809,767	\$ 900,158	\$ 743,942	\$ 603,300
Authority's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	185.34%	109.16%	158.30%	102.46%	98.05%	118.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability						
Traditional Plan	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	N/A	N/A	116.55%	116.90%	N/A	N/A

(1) Information prior to 2014 is not available.

Amounts presented as of the Authority's measurement date, which is the prior year-end.

See accompanying notes to the required supplementary information.



**Franklin County Convention Facilities Authority  
Required Supplementary Information  
Schedule of Authority Pension Contributions  
Ohio Public Employees Retirement System**

**Last Seven Years (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 128,486	\$ 124,212	\$ 113,914	\$ 97,172	\$ 108,019	\$ 89,273	\$ 78,429
Contributions in Relation to the Contractually Required Contribution	<u>\$ 110,729</u>	<u>\$ 124,212</u>	<u>\$ 113,914</u>	<u>\$ 97,172</u>	<u>\$ 108,019</u>	<u>\$ 89,273</u>	<u>\$ 78,429</u>
Contribution Deficiency (Excess)	<u>\$ 17,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 917,757	\$ 887,229	\$ 876,262	\$ 809,767	\$ 900,158	\$ 743,942	\$ 603,300
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

**Franklin County Convention Facilities Authority  
Required Supplementary Information  
Schedule of Authority's Proportionate Share of the Net OPEB Liability  
Ohio Public Employees Retirement System**

**Last Three Years (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's Proportion of the Net OPEB Liability	0.0060920%	0.0061800%	0.0058505%
Authority's Proportionate Share of the Net OPEB Liability	\$ 794,253	\$ 671,102	\$ 590,916
Authority's Covered Payroll	\$ 887,229	\$ 876,262	\$ 809,767
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.52%	76.59%	72.97%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available.

Amounts presented as of the Authority's measurement date, which is the prior year-end.

See accompanying notes to the required supplementary information.

**Franklin County Convention Facilities Authority  
Required Supplementary Information  
Schedule of Authority OPEB Contributions  
Ohio Public Employees Retirement System**

**Last Seven Years (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ -	\$ -	\$ 8,763	\$ 16,195	\$ 18,003	\$ 14,879	\$ 6,033
Contributions in Relation to the Contractually Required Contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,763</u>	<u>\$ 16,195</u>	<u>\$ 18,003</u>	<u>\$ 14,879</u>	<u>\$ 6,033</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 917,757	\$ 887,229	\$ 876,262	\$ 809,767	\$ 900,158	\$ 743,942	\$ 603,300
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

(1) Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

**FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2019**

**Ohio Public Employees Retirement System**

Net Pension Liability

*Changes of benefit terms.* There were no significant changes of benefit terms in 2018.

*Changes of assumptions.* Amounts reported in 2018 reflect changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.5% down to 7.2%, for the defined benefit investments.

Net OPEB Liability

*Changes of benefit terms.* There were no significant changes of benefit terms in 2018.

*Changes of assumptions.* For 2018, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. There was also a reduction in the actuarial assumed rate of return from 6.50 percent down to 6.00 percent.

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Franklin County Convention Facilities Authority  
Franklin County  
400 North High Street, 4<sup>th</sup> Floor  
Columbus, Ohio 43215

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities, and each major fund of the Franklin County Convention Facilities Authority, Franklin County, (the Authority) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 11, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

May 11, 2020

OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
MAY 26, 2020**