Rickenbacker Port Authority

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

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

Board of Directors
Rickenbacker Port Authority

We have reviewed the Independent Auditor's Report of the Rickenbacker Port Authority, Franklin County, prepared by Deloitte & Touche LLP for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Rickenbacker Port Authority is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

July 8, 2002

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

Tel: (614) 221-1000
Fax: (614) 229-4647
www.dttus.com

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
Rickenbacker Port Authority
Columbus, Ohio

We have audited the accompanying balance sheets of Rickenbacker Port Authority (the "Authority") (a component unit of Franklin County, Ohio) as of December 31, 2001 and 2000 and the related statements of revenues, expenses and changes in accumulated deficit and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

As discussed in Note 1 to the financial statements, in 2001 the Authority changed its method of accounting for contributed capital to conform to GASB Statement Nos. 33 and 36 and, retroactively, restated the 2000 financial statements for the change.

In accordance with *Government Auditing Standards,* we have also issued our report dated April 12, 2002, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

April 12, 2002

RICKENBACKER PORT AUTHORITY

BALANCE SHEETS, DECEMBER 31, 2001 AND 2000

ASSETS	2001	2000
CASH AND EQUIVALENTS	$ 10,997,617	$ 11,565,650
RECEIVABLES:		
Airfield operations (net of allowance of $5,000 in 2001 and 2000)	393,307	444,859
Grant reimbursements and other	184,480	3,186,356
Total receivables	577,787	3,631,215
INVENTORIES	221,793	135,866
PREPAID INSURANCE	81,044	70,129
PROPERTY - Net	66,767,313	62,758,993
TOTAL ASSETS	$ 78,645,554	$ 78,161,853

LIABILITIES AND FUND EOUITY		
ACCOUNTS PAYABLE	$ 577,430	$ 2,427,487
CURRENT PORTION OF LONG-TERM DEBT	988,496	984,674
ACCRUED LIABILITIES:		
Real estate taxes	278,500	286,000
Payroll and related	424,387	331,433
Accrued other	56,857	80,861
Total accrued liabilities	759,744	698,294
SECURITY DEPOSITS AND OTHER LIABILITIES	28,422	30,217
DEFERRED REVENUES	176,275	45,000
LONG-TERM DEBT DUE FRANKLIN COUNTY -		
Less current portion:		
Debt service on general obligation bonds	26,231,635	25,018,035
Capital subsidies	11,883,617	8,988,617
Franklin County bonds	3,280,000	4,100,000
Notes - Ohio Public Works Commission	893,400	967,850
Subtotal long-term debt due Franklin County	42,288,652	39,074,502
OTHER LONG-TERM DEBT (Less current portion)	4,183,230	4,277,276
FUND EQUITY:		
Contributed capital	64,432,301	64,432,301
Accumulated deficit	(34,788,996)	(33,807,898)
Total fund equity	29,643,305	30,624,403
TOTAL LIABILITIES AND FUND EQUITY	$ 78,645,554	$ 78,161,853

See notes to financial statements.

RICKENBACKER PORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
OPERATING REVENUE:		
Airfield operations	$ 2,624,658	$ 2,440,122
Overhead reimbursements - related party	193,939	188,736
Foreign trade zone fees	357,723	337,577
Other income	453,497	319,101
Total operating revenue	3,629,817	3,285,536
OPERATING EXPENSES:		
Salaries, wages and benefits	3,982,480	3,432,715
Depreciation	3,675,900	3,129,551
Professional fees and charges	1,333,958	769,165
Supplies and services	595,258	589,339
Utilities	473,291	406,281
Repairs and maintenance	198,306	310,163
Taxes and licenses	272,163	272,734
Other expenses	178,741	202,324
Total operating expenses	10,710,097	9,112,272
OPERATING LOSS	(7,080,280)	(5,826,736)
NONOPERATING REVENUE (EXPENSE):		
Franklin County operating grants	3,400,000	3,450,000
FAA capital grants	3,240,870	15,872,449
Gain (loss) on sale of land	251,525	(14,874)
Fair value of contributed land		9,900,000
Interest income	457,435	472,388
Interest expense	(681,407)	(492,309)
Demolition expense	(569,241)	(717,114)
Capital contribution to Franklin Community Improvement Corporation		(1,859,284)
Total nonoperating revenue (expense)	6,099,182	26,611,256
NET LOSS (INCOME)	(981,098)	20,784,520
ACCUMULATED DEFICIT, at beginning of year	(33,807,898)	(54,592,418)
ACCUMULATED DEFICIT, at end of year	$ (34,788,996)	$ (33,807,898)

See notes to financial statements.

RICKENBACKER PORT AUTHORITY

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

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash collections from customers	$ 6,814,519	$ 3,002,479
Cash payments to suppliers	(5,031,948)	(1,639,771)
Cash payments for salaries	(3,889,492)	(3,397,488)
Net cash used in operating activities	(2,106,921)	(2,034,780)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES - Franklin County Operating Grants	3,400,000	3,450,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property, plant and equipment	(7,576,256)	(16,916,772)
Federal and state capital grants	3,132,906	12,715,728
Gain (loss) from land sales	251,525	(14,874)
Proceeds from long-term debt	4,108,600	8,877,852
Principal payments on long-term debt	(984,674)	(894,450)
Interest payments on debt	(681,407)	(492,309)
Demolition costs	(569,241)	(717,114)
Net cash (used in) provided by financing activities	(2,318,547)	2,558,061
CASH FLOWS FROM INVESTING ACTIVITIES - Interest income	457,435	472,388
(DECREASE) INCREASE IN CASH AND EQUIVALENTS	(568,033)	4,445,669
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	11,565,650	7,119,981
CASH AND EQUIVALENTS AT END OF YEAR	$10,997,617	$ 11,565,650
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (7,080,280)	$ (5,826,736)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	3,675,900	3,129,551
Decrease (increase) in receivables	3,053,428	(281,774)
Increase in inventories	(85,927)	(15,050)
Increase in prepaid insurance	(10,915)	(14,468)
(Decrease) increase in accounts payable	(1,850,057)	906,346
Increase in accrued liabilities	61,450	77,357
Increase (decrease) in security deposits, other liabilities and deferred revenues	129,480	(10,006)
Net cash used in operating activities	$ (2,106,921)	$ (2,034,780)
NONCASH TRANSACTIONS:		
Capital contribution - land	$	$ 9,900,000
Property, plant and equipment in accounts payable	$ 383,076	$ 849,996
Capital grant receivable	$ 107,964	$ 3,156,721
Contributed capital to FCIC	$	$ 1,859,284

See notes to financial statements.

1. GENERAL INFORMATION AND BASIS OF ACCOUNTING

Organization **-** Rickenbacker Port Authority (the "Authority") was formed under Ohio Revised Code 4582 in 1979 by Franklin County (Ohio) for the purpose of serving as a local reuse agency, which included, in part, acquiring and owning approximately 1,600 acres of land (including improvements thereon) situated in Franklin and Pickaway counties and consisting of a part of the former Rickenbacker Air Force Base. The property is hereinafter referred to as "Rickenbacker." The Authority is organized as a governmental proprietary fund. Proprietary funds are financed and operated in a manner similar to private business enterprises. The cost of providing goods and services is financed through user charges and fees. The Authority is a component unit of Franklin County, Ohio. The Rickenbacker financial statements will be included in the comprehensive annual financial report of Franklin County, Ohio for the fiscal years ended December 31, 2001 and 2000.

Rickenbacker was deemed to be surplus by the United States Government and was transferred to the Authority at no cost, other than certain costs associated with the transfer. Title to the land is subject to certain covenants, conditions and restrictions and reverts to the United States Government at the government's option if any covenant is violated and not cured within sixty days.

At December 31, 2001, the Authority owns approximately 3,399 acres of land. The land owned by the Authority is contiguous to certain airfield property owned by the United States Government. As described in Note 3, the Authority has a long-term lease in furtherance of conveyance on land contiguous to the airfield.

The principal sources of cash that have been used to fund the Authority's activities have been from government entities (Franklin County, the State of Ohio and the Federal Aviation Administration). A substantial portion of the funding provided by the government entities has been for the purpose of providing infrastructure to assist in the development of Rickenbacker as an airport and foreign trade zone industrial park. Management believes the government entities will continue to provide funding to the Authority. On October 14, 1997, the Authority entered into an amended contribution agreement whereby Franklin County agreed that all future contributions to the Authority's operating budget up to $12 million will be considered grants not subject to repayment (see Note 4).

Basis of Accounting **-** Proprietary fund types are presented using the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. All assets and liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The Authority follows Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Authority also applies the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with, or contradict, GASB pronouncements.

The proprietary fund types are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred. Unbilled service charges are recognized as revenue and recorded as receivable at year-end. Differences between amounts earned and received are shown as receivables. Differences between expenses incurred and paid are shown as liabilities.

Use of Estimates **-** The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk **-** Approximately 48% and 47% of the revenues used to fund the Authority's activities during 2001 and 2000, respectively, were from Franklin County (Ohio). A substantial portion of the funding provided by Franklin County has been for the purpose of assisting in the development of Rickenbacker as an airport and foreign trade zone industrial park.

Cash and Equivalents **-** For purposes of the statement of cash flows, cash and cash equivalents include demand and time deposits with original maturities less than three months. Included in this balance is $6,923,047 and $5,780,485 of funds designated by the Board of Directors for capital improvements at December 31, 2001 and 2000, respectively.

Ohio Law permits the Authority to deposit monies in institutions insured by the Federal Depository Insurance Corporation (FDIC). Ohio Revised Code 135.14 restricts the Authority's investments to the following types of securities:

- Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

- Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality.

- Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts.

- Bonds and other obligations of the State of Ohio.

- No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this section, and repurchase agreements secured by such obligations.

- The Ohio subdivision fund is provided for in Section 135.45. The Authority will only purchase these through eligible institutions per the Ohio Revised Code (ORC) Section 135.03.

At December 31, 2001 and 2000, the carrying amount of the Authority's cash and equivalents is $10,997,617 and $11,565,650, respectively, in demand deposit accounts as compared to bank balances of $11,303,855 and $11,792, 720, respectively. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $100,000 is covered by the Federal Depository Insurance Corporation (FDIC) and $11,203,855 are uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

Property **-** Property additions are capitalized at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 40 years.

Inventories **-** Inventories are stated at the lower of first-in, first-out (FIFO) cost or market.

Contributed Capital **-** Contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation of contributed fixed assets and fixed assets funded by capital grants is allocated to retained earnings using the straight-line method over the estimated useful lives which range from 3 to 40 years. Contributed capital results primarily from capital grants.

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

The principal change in accounting that resulted from GASB Statement No. 33 is the requirement that the Authority report capital grants and contributions as nonoperating revenues rather than contributed capital. As required under GASB Statement No. 33, the Authority has retroactively restated its general purpose financial statements as of and for the year ended December 31, 2000 for the change. Therefore the Authority has decreased its contributed capital by approximately $16 million for capital grants and an additional $9.9 million for the fair value of contributed land received during 2000 and decreased its accumulated deficit by a corresponding amount. The accounting change had no impact on the Authority's total equity or net loss before nonoperating activity.

Reclassifications **-** Certain reclassifications have been made to the December 31, 2000 financial statements in order to conform to the presentation of the December 31, 2001 financial statements.

2. PROPERTY

The property balance at December 31, 2001 and 2000 consists of the following:

	2001	2000
Land and land improvements	$ 23,632,202	$ 23,322,125
Buildings	8,779,060	5,770,270
Airfield improvements	63,152,610	57,933,566
Vehicles	2,912,897	2,725,608
Airfield equipment	650,738	623,598
Office furniture and fixtures	814,549	782,939
Construction in progress	1,583,256	2,682,986
Total	101,525,312	93,841,092
Less accumulated depreciation	(34,757,999)	(31,082,099)
Property - net	$ 66,767,313	$ 62,758,993

3. SIGNIFICANT AGREEMENTS

In conjunction with the initial development and operation of Rickenbacker, the Authority entered into several key agreements in addition to the agreement described above. These agreements include:

Airfield Lease

In 1996, the Authority submitted an application for Airport Property by Public Benefit Transfer pursuant to the Surplus Act of 1994 to the U.S. Government in order to obtain excess Government lands at Rickenbacker. The Authority signed a lease with the U.S. Government in 1997 to acquire these lands and all improvements thereon for the purpose of State and local economic readjustment efforts by providing new opportunities for commercial and industrial redevelopment that will spur job creation and accelerate economic development. The land includes the airfield and some airside property. The lease requires the Authority to pay the U.S. Government $10 cash rent and requires the Authority to assume sole responsibility for the maintenance and operations of these acquired lands, including all real estate taxes, assessments and similar charges. The costs or expenses relating to this acquisition cannot be reasonably estimated at this time. Liability for any environmental cleanup of asbestos required on these lands is the Authority's and any other environmental cleanup, by statute and agreement, remains with the United States Government. The property will transfer to the Authority by deed as the environmental investigation and remediation is completed.

Foreign Trade Zone Grant

Under the terms of a grant by the U.S. Foreign Trade Zones Board in 1986, the Authority was given approval to operate Foreign Trade Zone Number 138. The zone includes a substantial portion of the airside property owned by the Authority, the industrial park, and has been modified or expanded in prior years to include approximately 600 additional acres of land adjacent to the airport.

Federal Aviation Administration

The Authority has received approval from the Federal Aviation Administration (FAA) to operate as a FAA Limited Part 139 commercial airport. Such approval requires that certain FAA mandated maintenance, operating and security standards regarding such items as lighting, all weather operations standardization, etc. be maintained by the Authority.

Hub Site Lease

Under the terms of a lease effective September 9, 1985, as amended on August 12, 1994 and expiring on December 31, 2055, the Authority leases approximately 66 acres to an unrelated party. The site is subleased for use as a hub for Federal Express. The lease provides for annual rent of $20,400 in 2001. The lease provides that Federal Express pay real estate taxes, utilities, etc. The lease provides for increases in rent commencing January 1, 2000 and every tenth year thereafter, based upon an independent appraisal and for increases based upon increases in the Consumer Price Index commencing January 1, 2005 and every tenth year thereafter.

Rental Income

The Authority rents certain buildings, land and undeveloped farmland to third parties under various rental agreements.

4. DEBT OBLIGATIONS

Franklin County Debt

During 1985, the Authority received $16,400,000 from Franklin County for the payment of certain improvements at Rickenbacker. The source of these funds was from the issuance of general obligation bonds by Franklin County. Pursuant to the 1985 agreement with Franklin County, the Authority was required to pay Franklin County sufficient amounts to pay the current debt service on the bonds. If the Authority failed at any time to pay Franklin County any and all of the amounts currently due, those amounts were to become a continuing obligation of the Authority. The total debt service on the bonds from their date of issuance through December 31, 2001 and 2000 for which the Authority was unable to provide the funds for payment was $26,231,635 and $25,018,035 of which $12,300,000 and $11,480,000 is the principal paid and $13,931,635 and $13,538,035 is the interest paid on the original issuance, respectively. The balance due on the original issuance at December 31, 2001 and 2000 is $4,100,000 and $4,920,000, respectively, of which $820,000 is the current amount due for each year.

On October 14, 1997 the Authority entered into an amended contribution agreement with Franklin County whereby Franklin County agreed to forgive and release the Authority from repayment of any past operating subsidies through the fiscal year ended December 31, 1997 (totaling $30,412,803). Franklin County further agreed that all future contributions to the Authority's operating budget up to $12 million will be considered grants not subject to repayment. During 2001 and 2000 Franklin County advanced an additional $3,400,000 and $3,450,000, respectively, to the Authority for operating subsidies and $2,895,000 and $3,231,152, respectively, for capital subsidies. Based on the terms of this agreement the balance of the capital subsidies due Franklin County at December 31, 2001 and 2000 was $11,883,617 and $8,988,617, respectively.

Ohio Public Works Commission

In 1995, the Authority agreed to reimburse Franklin County for debt service on $1,489,000 of an Ohio Public Works Commission loan for storm sewer improvements. The agreement is non-interest bearing and provides for annual principal payments of $74,450 to January 1, 2015. The outstanding balance at December 31, 2001 and 2000 is $967,850 and $1,042,300, respectively, of which $74,450 is the current amount due for each year.

Other Debt

Other debt outstanding at December 31, 2001 includes a $1,932,748 note with a third party bearing interest at 6%. Principal and interest are paid monthly with maturity in 2020. Also outstanding are two notes totaling $2,344,528 with a third party bearing interest of 7.5%. Principal and interest are paid monthly based on a 25-year amortization schedule, with maturity in 2007.

Other long-term debt matures as follows:

2002	$ 94,046
2003	100,430
2004	107,252
2005	114,545
2006	122,343
Thereafter	3,738,660
Total	$4,277,276

5. RELATED PARTY TRANSACTIONS

Franklin Community Improvement Corporation - According to the Project Coordination Agreement, effective June 1994, the Authority may extend project advances to Franklin Community Improvement Corporation ("FCIC") for its business operations. In consideration of the Authority making project advances, FCIC shall pay all of its available project net proceeds to the Authority. If the cumulative total of project advances exceeds available project net proceeds, unless the Authority agrees in writing, FCIC shall pay the difference between such amounts. In no event shall the Authority be obligated to repay any available project net proceeds paid by FCIC. Additionally, certain income earned by FCIC is remitted to the Authority under the terms of this agreement. At December 31, 1999, the Authority was due $1,802,026 from the FCIC for advances made. In May 2000, the Authority entered into a second amended and restated project coordination agreement which terminated all obligations of FCIC to the Authority through May 2000. Accordingly, the Authority recorded a contribution to FCIC of $1,859,283 representing the amount of the terminated obligation on the effective date of the agreement. The FCIC entered into an amended and restated project coordination agreement with the Authority. In consideration of the Authority making project advances, the FCIC shall pay all its available net proceeds to the Authority on an annual basis. Available net proceeds is defined as all funds but not including $1,000,000 in working capital, certain project advances, reserves and other funds relating to the Authority's activities.

Also, under a management agreement the Authority provides the FCIC with certain administrative services. The FCIC paid $170,089 and $190,600 for these services for 2001 and 2000, respectively.

6. COMMITMENTS AND CONTINGENCIES

In addition to commitments described in Note 3 (Agreement for Airport Services and Hub Site Lease) and Note 4 (Debt Obligations), the Authority has certain additional commitments with respect to its involvement with Rickenbacker. These commitments include the following:

The Authority may have the responsibility to perform significant repairs or upgrading to airfields including, in particular, the inside runway which is contiguous to Rickenbacker. The responsibility to perform such repairs or upgrading is contingent upon a variety of factors, including the needs of tenants at Rickenbacker and the remaining useful life of the existing inside runway. Accordingly, the time and cost of such repairs or upgrading are not determinable at the present time. However, if the Authority performs these repairs or upgrading, management believes the cost may be substantial.

The Authority may have some obligations related to the abatement of noise related to the air traffic at Rickenbacker. Significant expenditures have been made through 1997 related to the abatement of noise, funded, in a large part, by the FAA. At the present time, management has no basis to reasonably estimate any additional noise abatement costs which may be necessary. An update to the noise program study was completed in 1997.

The Department of the Air Force has acknowledged to the Authority that the Air Force has residual responsibility for clean up of any hazardous waste discovered at Rickenbacker after its transfer to the Authority. The magnitude of any required clean-up, whether the Authority will incur any cost or expense in connection with a clean-up, and whether the existence of the landfill will delay the development of Rickenbacker cannot be determined at this time. In addition, buildings located on property previously or to be transferred to the Authority generally contain asbestos. The liability for asbestos removal has been assumed by the Authority and management has no basis to reasonably estimate the total future removal costs which will be necessary. Abatement has been completed on a project by project basis as redevelopment occurs.

The Authority has received Federal and state grants for specific purposes that may be subject to review and audit by the grantor agencies or their designee. As of December 31, 2001, the Authority has not been notified that an audit would take place. An audit could lead to disallowance of a request for reimbursement to the grantor agency for expenditures already incurred by the program, or could result in a finding for recovery, which would be a liability. Based on prior experience, management believes such disallowances or findings, if any, will be immaterial. No provisions have been made within the financial statements for the refund or repayment of grant monies.

The Authority has purchase commitments outstanding for the building of a new terminal of $695,728 at December 31, 2001.

7. VACATION, SICK LEAVE AND RETIREMENT PLAN

All employees are considered Authority employees under Section 4582 of the Ohio Revised Code. However, as a component unit of Franklin County, Ohio, Franklin County has agreed to process all payroll and allow the Authority participation in County benefit programs. The Authority is billed by the County for the actual costs of payroll and benefit programs.

Authority employees are granted vacation and sick leave at amounts which vary by length of service. In the event of termination, employees are reimbursed for any accumulated vacation and a portion of their sick leave at the employee’s current wage. Authority employees may carry over no more than 40 hours of vacation with the employees receiving cash payments for accrued vacation in the excess of the maximum carryover. In addition, employees are required to use 50% of the vacation they accrue each year.

Employees may accumulate no more than 240 hours (other than grandfathered employees who had balances exceeding 240 hours) of sick leave carryover and under the wellness incentive program may receive cash payments for unused sick leave to a maximum of 40 hours based on a calculation table of sick leave actually used.

At December 31, 2001 and 2000, the Authority was provided by the Franklin County Auditor's office an estimate of the Authority's liability for unused vacation and sick leave and such amounts have been recorded in the accompanying financial statements.

All full time employees of the Authority are required to participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system. PERS provides retirement and disability benefits, annual cost-of-living adjustments, health care benefits, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions. PERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1 (800) 222-PERS (7377). The Authority's total payroll for the years ended December 31, 2001 and 2000 was $3,063,215 and $2,627,768, respectively.

Plan members are required to contribute 8.5% of their annual covered salary, while the 2001 employer contribution rate for state employers was 13.31% of covered payroll and for local government employer units the rate was 13.55%. For the year 2000 PERS gave employers a temporary rollback rate of 10.84%. The Authority's contributions to PERS for the years ended December 31, 2001, 2000 and 1999 were $401,933, $279,860 and $309,700, respectively, equal to the required contributions for each year.

In addition to the pension benefits PERS provides postretirement health care coverage to age and service retirements with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by PERS is considered an Other Postemployement Benefit (OPEB) as described in GASB Statement No. 12. At December 31, 2001, the Plan had approximately 411,076 active participants.

A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The 2001 employer contribution rate for state employers was 13.31% of covered payroll, of which 4.3% was the portion used to fund health care for the year.

The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

The actuarial value of PERS' net assets available for OPEB at December 31, 2000 was $11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $14,364.6 million and $2,628.7 million, respectively.

The actuarial present value of accrued postemployment benefits was determined based on the entry age normal method of funding. Significant actuarial assumptions based on PERS' latest Actuarial Review performed as of December 31, 2000 are as follows: an investment rate of return of 7.75%, investments valued at market value, adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets, no change in the number of active employees, base pay rate increases of 4.75% and annual pay increases over and above the 4.75% base increase ranging from .54% to 5.1%, and health care costs assume an increase of 4.75% annually.

8. RISK MANAGEMENT

During the course of the year the Authority is subjected to certain types of risks in the performance of its normal functions. These risks include risks that the Authority might be subjected to by its employees in the performance of their normal duties. The Authority manages these types of risks through commercial insurance.

9. CONDUIT DEBT

From time to time, the Authority has issued certificates of participation, industrial revenue bonds, revenue bonds and revenue notes to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments on the underlying mortgage loans. Upon repayment of the obligations, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the Authority or Franklin County, nor any political subdivisions thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2001, there were eight series of bonds outstanding, with an aggregate principal amount payment of $63,609,079. The original issue amounts for these eight series totaled $64,800,000.

Subsequent to year ended December 31, 2001 the Authority issued a series of revenue bonds in the principal amount of $105,310,000.

* * * * * *

Rickenbacker Port Authority

Report on Federal Awards in Accordance With OMB Circular A-133 Federal Entity Identification Number 31-099723 for the Year Ended December 31, 2001

RICKENBACKER PORT AUTHORITY

TABLE OF CONTENTS

	Page
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2001 INCLUDING INDEPENDENT AUDITORS' REPORT	See Attached
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	2
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	3
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PEFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*	4 - 5
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6 - 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	8
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	9

RICKENBACKER PORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

Federal Agency	Sponsor I.D./ CFDA Number	2001 Expenditures
U.S. Department of Transportation - Airport Improvement Program	20.106	$2,737,787

See notes to schedule of expenditures of federal awards.

RICKENBACKER PORT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation **-** The accompanying financial schedule of expenditures has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

* * * * * *

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

Tel: (614) 221-1000
Fax: (614) 229-4647
www.dttus.com

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

To the Board of Directors of
Rickenbacker Port Authority
Columbus, Ohio

We have audited the financial statements of the Rickenbacker Port Authority (the "Authority") as of and for the year ended December 31, 2001, and have issued our report thereon dated April 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting and its operation that we have reported to management of the Authority in a separate letter dated April 12, 2002.

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

DELOITTE & TOUCHE LLP

April 12, 2002

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

Tel: (614) 221-1000
Fax: (614) 229-4647
www.dttus.com

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors of
Rickenbacker Port Authority
Columbus, Ohio

COMPLIANCE

We have audited the compliance of Rickenbacker Port Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of Rickenbacker Port Authority as of and for the year ended December 31, 2001, and have issued our report thereon dated April 12, 2002. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the management of the Rickenbacker Port Authority. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the financial statements taken as a whole.

* * * * * *

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

DELOITTE & TOUCHE LLP

April 12, 2002

RICKENBACKER PORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2001

PART I - SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.

2. Our audit of the financial statements did not disclose a reportable condition in internal controls.

3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.

4. No reportable conditions in internal control over compliance with requirements applicable to the major federal awards program were identified.

5. The independent auditors' report on compliance with requirements applicable to major federal award program expressed an unqualified opinion.

6. The audit disclosed no findings required to be reported by OMB Circular A-133.

7. The Organization's major program was:

Name of Federal Program or Cluster	CFDA Number
Airport Improvement Program	20.106

8. A threshold of $300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.

9. The Authority did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

PART II - FINANCIAL SECTION

No matters are reportable.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

No matters are reportable.

PART IV - SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No matters are reportable.

Summary Schedule of Prior Year Audit Findings

No prior year findings.

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

RICKENBACKER PORT AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 30, 2002