BASIC FINANCIAL STATEMENTS

of

The Franklin County Convention Facilities Authority

Years ended December 31, 2004 and December 31, 2003

Auditor of State
Betty Montgomery

Board of Directors
The Franklin County Convention Facilities Authority
400 N. High St, 4th Floor
Columbus, OH 43215

We have reviewed the *Independent Auditor's Report* of The Franklin County Convention Facilities Authority, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 27, 2005

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

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THE FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
TABLE OF CONTENTS

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Board of Directors
The Franklin County Convention Facilities Authority
Columbus, Ohio

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Franklin County Convention Facilities Authority, Franklin County, Ohio (the Authority) as of and for the year ended December 31, 2004 and 2003, that comprise the Authority's basic financial statements, as listed in the table of contents. 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 audit.

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

As described in Note 1 to the basic financial statements, effective January 1, 2004, the Authority implemented Government Accounting Standards Board ("GASB") Statement No. 40, *Deposit and Investment Risk Disclosures*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2004 and 2003, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2005 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 16, 2005

Management's Discussion and Analysis

The following Management Discussion and Analysis (MD&A) provides an overview of the financial performance of the Franklin County Convention Facilities Authority (herein referred to as Authority) and provides an introduction to the Authority's financial statements for year ended December 31, 2004. The information contained in this MD&A should be considered in conjunction with information presented in the Authority's financial statements and corresponding notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standard Board (GASB). The Authority operates as a proprietary (enterprise) fund. The financial information of the Authority is accounted for in two funds in order to reflect limitations and restrictions placed on the use of available resources. The capital fund is used to account for financial resources used for the acquisition, development or construction of the Greater Columbus Convention Center (herein referred to as convention center), as well as the accumulations of resources for, and the payment of capital debt principal, interest and related costs. The operating fund is used to account for all financial resources except those required to be accounted for in the capital fund. The fund balance of the operating fund is available to the Authority for any purpose, provided it is expended or transferred in accordance with Authority regulations.

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 financial statements. All basic financial statements include prior year data for comparison. The financial statements for the Authority are the following:

- Statement of Net Assets – This statement presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets.
- Statement of Revenues, Expenses and Changes in Net Assets - This statement shows how the Authority's net assets have changed during the most recent year. Reviewed are revenues, expenses, non-operating revenue and non operating expenses for the Authority.
- Statement of Cash Flow – This statement reports cash and cash equivalent activities for the fiscal year resulting from operating, capital and related financial activities. A reconciliation of operating income with net cash is provided.

FINANCIAL POSITION OF THE AUTHORITY

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

	Operating Fund			Capital Fund		
	2003	2004	Increase (Decrease) over/ (under) 2003	2003	2004	Increase (Decrease) over/ (under) 2003
Current and other assets	$2,364,169	$2,174,046	($190,123)	$27,486,885	$27,407,688	($79,197)
Capital assets, Net	7,272	5,454	(1,818)	185,356,887	178,978,319	(6,378,568)
Total assets	2,371,441	2,179,500	(191,941)	212,843,772	206,386,007	(6,457,765)
Long-term debt outstanding	—	—	—	155,568,207	150,917,169	(4,651,038)
Other liabilities	136,595	140,963	4,368	876,125	886,905	10,780
Total liabilities	136,595	140,963	4,368	156,444,332	151,804,074	(4,640,258)
Net assets - invested in capital assets, net of related debt	7,272	5,454	(1,818)	29,788,680	28,061,150	(1,727,530)
Restricted for debt service	205,688	128,315	(77,373)	21,471,773	21,456,821	(14,952)
Unrestricted	2,021,886	1,904,768	(117,118)	5,138,987	5,063,962	(75,025)
Total net assets	$2,234,846	$2,038,537	($196,309)	$56,399,440	$54,581,933	($1,817,507)

The Authority's total assets (both funds combined) exceeded total liabilities by $56.6 million at December 31, 2004. A large portion of net assets, $28.1 million at December 31, 2004, 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 have been invested in to support the initial construction of and continual expansion of Greater Columbus Convention Center. Although the Authority's investment in capital assets is reported net of debt, it is noted that the resources needed to repay the debt is provided annually from collection of hotel/motel excise taxes, since capital assets themselves cannot be used to liquidate liabilities.

An additional portion of net assets, $21.6 million at December 31, 2004, is subject to restrictions as set forth in the Authority's Bond Indenture. These assets are not available for new spending, as the majority of these assets are held in reserve to meet debt service requirements should other revenue sources prove inadequate.

The remaining unrestricted net assets of $7.0 million may be used to meet any of the Authority's ongoing obligations. The Authority anticipates that these resources will be used to support future capital expenditures.

The following represents the changes in revenues, expenditures and net assets for the years ended December 31:

	Operating Fund			Capital Fund		
	2003	2004	Increase (Decrease) over/ (under) 2003	2003	2004	Increase (Decrease) over/ (under) 2003
Operating Revenues						
Lease Rent	$ —	$ —	$ —	$1,313,674	$892,771	($420,903)
Center Operations	—	8,910	8,910	—	—	—
Miscellaneous	—	—	—	1,558	—	(1,558)
Total Operating Revenues	—	8,910	8,910	1,315,232	892,771	(422,461)
Operating Expenses						
Salary and other payroll expenses	321,835	348,614	26,779	—	—	—
Professional fees	85,599	57,235	(28,364)	—	—	—
Center Operations	16,922	—	(16,922)	—	—	—
Insurance	469,381	459,489	(9,892)	54,260	54,260	—
Miscellaneous	161,930	132,762	(29,168)	—	—	—
Total Operating Expenses	1,055,667	998,100	(57,567)	54,260	54,260	—
Operating (loss) income before depreciation	(1,055,667)	(989,190)	66,477	1,260,972	838,511	(422,461)
Depreciation	(1,817)	(1,818)	(1)	(7,561,963)	(7,359,204)	202,759
Operating (loss) before nonoperating	(1,057,484)	(991,008)	66,476	(6,300,991)	(6,520,693)	(219,702)
NonOperating Revenues (Expenses)						
Hotel/motel excise tax	878,987	923,489	44,502	12,361,880	12,602,277	240,397
(Decrease) in fair value of investments	—	—	—	—	(161,382)	(161,382)
Interest Earnings	10,612	8,935	(1,677)	425,943	441,977	16,034
Interest Expense	—	—	—	(8,564,425)	(8,317,411)	247,014
Transfers in (out)	(849)	(137,725)	(136,876)	849	137,725	136,876
Total NonOperating Revenues	888,750	794,699	(94,051)	4,224,247	4,703,186	478,939
Change in net assets	(168,734)	(196,309)	(27,575)	(2,076,744)	(1,817,507)	259,237
Total net assets - beginning	2,403,580	2,234,846	(168,734)	58,476,184	56,399,440	(2,076,744)
Total net assets - ending	$2,234,846	$2,038,537	($196,309)	$56,399,440	$54,581,933	($1,817,507)

Key changes to revenues, expenditures and net assets, as listed, are as follows

- Lease rent is annual lease payments received for the use of property owned or leased by the Authority. Prior to 2003, the Authority managed two such lease agreements; one with the Hyatt Regency Hotel connected to the convention center and the second with Nationwide Arena. Beginning in 2003, the Authority received revenue from a new lease agreement with Drury Inn. In all three agreements, lease payments include both 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 and the arena. In 2004, lease rent decreased by $420,903 primarily due to the financial performance of the Hyatt Regency Hotel. During 2004, the hotel experienced a decline in room revenue due to lower than normal occupancy levels.

- The management, operation and marketing of the convention center is facilitated through the Authority's management agreement with SMG. As part of this management agreement, SMG is responsible for the financial activity of the convention center. SMG financially manages all revenues collected through the operation of the convention center and utilizes these revenues to pay for all expenditures associated with operating the facility. Bottom line performance of the convention center is recorded as either a revenue to or expense from the operating fund; depending upon the reported success of operating the convention center in any given year. In 2004, convention center operations ended the year with a surplus of $8,910. When this surplus is added to the outstanding receivable due from convention center operations for the years ended December 31, 1993 through December 31, 2004, the receivable increases to $931,387.

- Insurance is a major expense for the operating fund. Included in this line item are costs associated with purchasing property, general liability, umbrella and public official's liability insurance. In 2004, this expense remained fairly consistent with prior year. Overall, insurance expenses decreased by $9,892 or 2.0 percent.

- Excluding insurance, all other operating expenses of the Authority decreased by $47,675 or 8.0 percent in 2004.

- The Authority levies a 4.0 percent countywide bed tax on occupied hotel/motel rooms and an additional 0.9 percent bed tax on City of Columbus occupied hotel/motel rooms. Revenue collected from this excise tax as well as earnings from investments are first used to pay for annual debt service obligations of the Authority. Revenues and earnings in excess of debt service obligations are deposited into the operating fund. In 2004, hotel/motel tax collections increased by $284,899 or 2.2 percent above prior year collections. 2004 tax collections, when combined with interest earnings, exceeded debt service obligations for the year by $923,489. These excess revenues were deposited into the operating fund.

- 2004 interest earnings, mainly acquired through investment of reserve funds, remained fairly equal to earnings achieved in 2003. During 2004, the Authority invested reserve funds in U.S. Agency Securities consistent with an approved investment policy. While investments will be held until maturity and no loss in investment is anticipated, there is a reported decrease in investments when such investments are valued at current market. This decrease is temporary as reported gains and loses will fluctuate throughout the investment period.

CAPITAL ASSETS

At the end of fiscal year 2004, the Authority had $178,983,773 (net of accumulated depreciation) invested in total capital assets. This investment in capital assets includes land, a 900 car parking facility and 500 car underground parking garage, a convention center with over 430,000 square feet of exhibit hall space, three large ballrooms, and related meeting and back of house space, and supporting furniture, fixtures and equipment. The following table identifies 2004 assets and compares these assets with assets listed in 2003.

	Operating Fund			Capital Fund		
	2003	2004	Increase (Decrease) over/ (under) 2003	2003	2004	Increase (Decrease) over/ (under) 2003
Non-Depreciable Capital Assets						
Land	$ —	$ —	$ —	$32,428,682	$32,428,682	$ —
Construction in progress	—	—	—	27,307	378,801	351,494
Total Non-Depreciable Capital Assets	—	—	—	32,455,989	32,807,483	351,494
Depreciable Capital Assets						
Building and improvements	—	—	—	193,475,851	193,783,637	307,786
Major building equipment	—	—	—	9,381,154	9,381,154	—
Parking lot	—	—	—	1,144,558	1,144,558	—
Equipment and furnishings	33,044	33,044	—	5,249,629	5,570,985	321,356
Improvement other than building	—	—	—	1,552,245	1,552,245	—
Total Depreciable Capital Assets	33,044	33,044	—	210,803,437	211,432,579	629,142
Total Capital Assets	33,044	33,044	—	243,259,426	244,240,062	980,635
Less accumulated depreciation	(25,772)	(27,590)	(1,818)	(57,902,539)	(65,261,743)	(7,359,204)
Capital assets, net	$7,272	$5,454	($1,818)	$185,356,887	$178,978,319	($6,378,568)

Capital asset acquisitions are capitalized at cost and depreciated using the straight- line method.

In the capital fund, the primary change in capital assets includes current year depreciation expense of $7,359,204; building and equipment additions of $629,142; and additions to projects still under construction of $351,494.

DEBT ADMINISTRATION

At December 31, 2004, the Authority had $150.9 million in bonds outstanding of which $6,325,000 is due within fiscal year 2005. Interest on the term and serial bonds is payable semiannually on June 1 and December 1. Interest is accreted on the zero coupon bonds semiannually on June 1 and December 1. Interest has been accrued on all bonds through December 31, 2004. Bonds mature on December 1st in the years as set forth.

The following summarizes the Authority's debt outstanding as of year end 2003 and 2004.

Type	Interest Rate	Maturity	Amount 2003	Amount 2004	Amount Increase (Decrease) over/(under) 2003
Refunded Term/Series 97	5.0%	2013 and 2027	$61,600,000	$61,600,000	$ —
Refunded Series/97	4.3% to 5.0%	2003 to 2012	17,820,000	16,190,000	(1,630,000)
Refunded Series/02	2.5% to 5.25%	2003 to 2019	54,130,000	53,865,000	(265,000)
Zero Coupon		2002 to 2010	30,485,000	26,130,000	(4,355,000)
Total			164,035,000	157,785,000	(6,250,000)
Less:					
Unamortized discount			(4,191,990)	(2,859,698)	1,332,292
Unamortized issuance costs			(309,772)	(289,975)	19,797
Unamortized deferred loss			(3,965,031)	(3,718,158)	246,873
Total			$155,568,207	$150,917,169	($4,651,038)

Annual debt service requirements are met through the collection of hotel/motel excise taxes. The Bond Indenture requires that proceeds from the hotel/motel excise tax as well as from earnings received through investments 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 improvements and operations of the convention center.

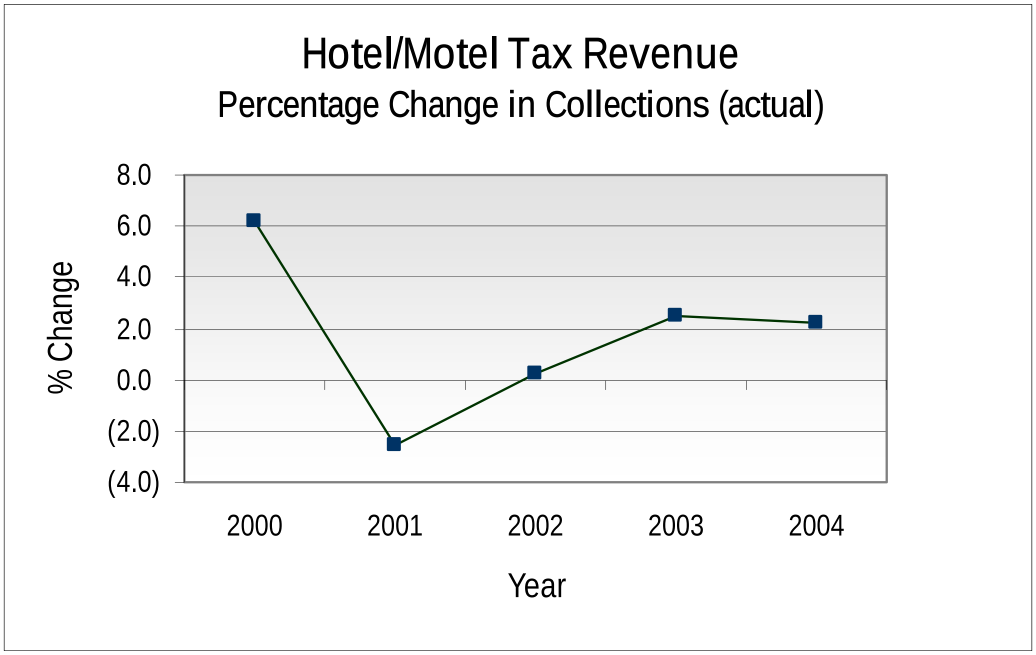
In accordance with the Bond Indenture, a debt service reserve fund and a rental reserve fund have been established as special trust funds to provide for the payment of bond principal and interest in the event the amount in the debt service fund is insufficient. The Bond Indenture prescribes the amount to be placed into 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 were as follows at December 31:

	2004 Reserve Balances	2004 Required Balances
Debt service fund	$1,080,896	$1,080,923
Debt service reserve fund	13,582,813	13,582,250
Rental reserve fund	6,793,112	6,791,125
Total	$21,456,821	$21,454,298

At December 31, 2004, the Debt Service Fund reserve balance was $27 below the required balance. Within 90 days of year-end, the Authority transferred the amount necessary to bring the reserve balance in-line with the required balance.

ECONOMIC FACTORS

Economic factors as well as events of September 11, 2001 have impacted the convention and travel industry nationwide as well as within the Columbus market. As illustrated in the below graph, percentage growth in revenue resulting from hotel/motel usage dropped in 2001 after years of sustained annual growth of 6.0 percent or more. The good news is that even though the Columbus lodging industry experienced a downturn during the past few years, the extent of this shift was not as dramatic as that experienced in other communities. As suggested by revenue growth in 2003 and 2004, the hotel/motel market is beginning to improve, albeit slowly.



The Greater Columbus Convention Center also has seen a change in the types of events held in the facility since 2001. Corporate travel has declined as businesses have streamlined the number and size of conventions as a way to control expenses. On the other hand, the Greater Columbus Convention Center has been able to off-set this reduction by an increase in short term events held in the center. The center has and continues to host several regional and state conferences and trade shows that were not as impacted as national conferences by the slowed economy.

As a result, the Greater Columbus Convention Center has remained self-sustaining during this period. While the center ended 2003 with a minor deficit; the center did improve income in 2004 and ended the year with a surplus.

The impact of reduced growth in hotel/motel tax revenue on the Authority has been minimal. Even with reduced levels of hotel/motel revenue, the Authority has been able to meet all debt service obligations without using reserve funds. The slowed growth in tax revenue has impacted the growth in unrestricted assets as reduced revenues have decreased the amount of excess hotel/motel tax revenue available for other expenses. While unrestricted assets declined slightly in 2004, this reduction in assets is anticipated to be short term. Current projections, based upon actual bookings within the local hotel industry as well as within the convention center, suggest that 2005 will be a good year for the Authority. Convention center operations and hotel occupancy are all expected to improve, thus positively impacting revenues for the Authority. With planned expenses remaining fairly consistent with prior year, the Authority is anticipating positive growth in unrestricted assets during 2005.

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, write to the Franklin County Convention Facilities Authority, 400 North High Street, 4th Floor, Columbus, Ohio 43215 or contact Maria Mercurio, Finance Director, at 614.827.2805 or mcmfccfa@aol.com.

THE FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2004 AND 2003

	Business-type Activities - Enterprise Funds					
	2004			**2003**		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ 58,988	$ 149,218	$ 208,206	$ 40,651	$ 93,849	$ 134,500
Investments	1,053,631	2,400,843	3,454,474	1,259,208	1,955,217	3,214,425
Hotel/motel excise tax receivable	-	2,016,464	2,016,464	-	1,804,756	1,804,756
Lease receivable	-	517,681	517,681	-	976,174	976,174
Interest receivable	-	76,191	76,191	-	132,498	132,498
SMG receivable	931,387	-	931,387	922,477	-	922,477
Prepaid items and other assets	130,040	923,881	1,053,921	141,833	978,141	1,119,974
Total current assets	2,174,046	6,084,278	8,258,324	2,364,169	5,940,635	8,304,804
Noncurrent assets:						
Restricted bond covenant accounts	-	21,266,376	21,266,376	-	21,489,937	21,489,937
Capital Assets, Net	5,454	178,978,319	178,983,773	7,272	185,356,887	185,364,159
Funds held in escrow	-	57,034	57,034	-	56,313	56,313
Total noncurrent assets	5,454	200,301,729	200,307,183	7,272	206,903,137	206,910,409
Total assets	2,179,500	206,386,007	208,565,507	2,371,441	212,843,772	215,215,213
LIABILITIES						
Current liabilities:						
Accounts payable	9,161	174,906	184,067	12,415	158,870	171,285
Interest Payable	-	554,965	554,965	-	560,942	560,942
Accrued liabilities and other	131,802	100,000	231,802	124,180	100,000	224,180
Bonds Payable	-	6,325,000	6,325,000	-	6,250,000	6,250,000
Total current liabilities	140,963	7,154,871	7,295,834	136,595	7,069,812	7,206,407
Noncurrent liabilities:						
Bonds payable, net	-	144,592,169	144,592,169	-	149,318,207	149,318,207
Arbitrage rebate escrow	-	57,034	57,034	-	56,313	56,313
Total noncurrent liabilities	-	144,649,203	144,649,203	-	149,374,520	149,374,520
Total liabilities	140,963	151,804,074	151,945,037	136,595	156,444,332	156,580,927
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	5,454	28,061,150	28,066,604	7,272	29,788,680	29,795,952
Restricted for debt service	128,315	21,456,821	21,585,136	205,688	21,471,773	21,677,461
Unrestricted	1,904,768	5,063,962	6,968,730	2,021,886	5,138,987	7,160,873
Total net assets	$ 2,038,537	$ 54,581,933	$ 56,620,470	$ 2,234,846	$ 56,399,440	$ 58,634,286

The notes to the financial statements are an integral part of this statement.

THE FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003

	Business-type Activities - Enterprise Funds					
	2004			**2003**		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
OPERATING REVENUES:						
Lease rent	$ -	$ 892,771	$ 892,771	$ -	$ 1,313,674	$ 1,313,674
Center operations	8,910	-	8,910	-	-	-
Miscellaneous	-	-	-	-	1,558	1,558
Total operating revenues	8,910	892,771	901,681	-	1,315,232	1,315,232
OPERATING EXPENSES:						
Salary and leave	285,552	-	285,552	263,138	-	263,138
Professional fees	57,235	-	57,235	85,599	-	85,599
Center operations	-	-	-	16,922	-	16,922
Insurance	459,489	54,260	513,749	469,381	54,260	523,641
Retirement and payroll taxes	63,062	-	63,062	58,697	-	58,697
Rent	581	-	581	1,161	-	1,161
Advertising	275	-	275	269	-	269
Travel	6,000	-	6,000	6,000	-	6,000
Office	3,246	-	3,246	7,715	-	7,715
Telephone	1,027	-	1,027	1,455	-	1,455
Property tax	7,390	-	7,390	7,389	-	7,389
Miscellaneous	114,243	-	114,243	137,941	-	137,941
Total operating expenses	998,100	54,260	1,052,360	1,055,667	54,260	1,109,927
Operating (Loss) Income Before Depreciation	(989,190)	838,511	(150,679)	(1,055,667)	1,260,972	205,305
Depreciation	1,818	7,359,204	7,361,022	1,817	7,561,963	7,563,780
Operating (Loss) Before Non-Operating Income and Expenses	(991,008)	(6,520,693)	(7,511,701)	(1,057,484)	(6,300,991)	(7,358,475)
NONOPERATING REVENUES (EXPENSES)						
Hotel/motel excise tax	923,489	12,602,277	13,525,766	878,987	12,361,880	13,240,867
(Decrease) in Fair Value of Investments	-	(161,382)	(161,382)	-	-	-
Interest earnings	8,935	441,977	450,912	10,612	425,943	436,555
Interest expense	-	(8,317,411)	(8,317,411)	-	(8,564,425)	(8,564,425)
Total nonoperating revenue	932,424	4,565,461	5,497,885	889,599	4,223,398	5,112,997
Loss before transfers	(58,584)	(1,955,232)	(2,013,816)	(167,885)	(2,077,593)	(2,245,478)
Transfers in	-	137,725	137,725	-	849	849
Transfers out	(137,725)	-	(137,725)	(849)	-	(849)
Change in net assets	(196,309)	(1,817,507)	(2,013,816)	(168,734)	(2,076,744)	(2,245,478)
Total net assets - beginning	2,234,846	56,399,440	58,634,286	2,403,580	58,476,184	60,879,764
Total net assets - ending	$ 2,038,537	$ 54,581,933	$ 56,620,470	$ 2,234,846	$ 56,399,440	$ 58,634,286

The notes to the financial statements are an integral part of this statement.

THE FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003

	Business-type Activities - Enterprise Fund					
	2004			2003		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from leases	$ -	$ 1,351,265	$ 1,351,265	$ -	$ 1,169,477	$ 1,169,477
Payments for professional services and operations	(641,184)	-	(641,184)	(748,120)	-	(748,120)
Payments to employees	(278,372)	-	(278,372)	(256,599)	-	(256,599)
Payments for retirement and payroll taxes	(62,382)	-	(62,382)	(58,132)	-	(58,132)
Net cash provided (used) by operating activities	(981,938)	1,351,265	369,327	(1,062,851)	1,169,477	106,626
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES						
Hotel\motel excise taxes received	923,489	12,390,568	13,314,057	878,987	12,405,539	13,284,526
Transfers in (out)	(137,725)	137,725	-	(849)	849	-
Net cash provided by noncapital financing activities	785,764	12,528,293	13,314,057	878,138	12,406,388	13,284,526
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	-	(889,600)	(889,600)	-	(472,719)	(472,719)
Proceeds from the sale of capital assets	-	-	-	-	2,116	2,116
Cash paid for construction of a roadway	-	(75,000)	(75,000)	-	(75,000)	(75,000)
Cash paid on bond interest	-	(6,724,426)	(6,724,426)	-	(7,025,179)	(7,025,179)
Cash paid on bond principal	-	(6,250,000)	(6,250,000)	-	(6,190,000)	(6,190,000)
Cash paid to government agency	-	-	-	-	(558,749)	(558,749)
Net cash used in capital and related financing activities	-	(13,939,026)	(13,939,026)	-	(14,319,531)	(14,319,531)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received from investments	8,935	498,284	507,219	10,612	293,445	304,057
Net cash provided (used) by investing activities	205,576	(383,447)	(177,871)	160,488	177,190	337,678
Net cash provided by investing activities	214,511	114,837	329,348	171,100	470,635	641,735
Net decrease in cash and cash equivalents	18,337	55,369	73,706	(13,613)	(273,031)	(286,644)
Cash - January 1	40,651	93,849	134,500	54,264	366,880	421,144
Cash - December 31	$ 58,988	$ 149,218	$ 208,206	$ 40,651	$ 93,849	$ 134,500
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating loss	$ (991,008)	$ (6,520,693)	$ (7,511,701)	$ (1,057,484)	$ (6,300,991)	$ (7,358,475)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	1,818	7,359,204	7,361,022	1,817	7,561,963	7,563,780
Gain on the sale of assets	-	-	-	-	(1,558)	(1,558)
(Increase) Decrease in lease receivable	-	458,494	458,494	-	(144,197)	(144,197)
(Increase) Decrease in SMG receivable	(8,910)	-	(8,910)	16,922	-	16,922
(Increase) Decrease in prepaid expenses and other assets	11,793	53,539	65,332	(26,028)	30,018	3,990
(Decrease) in accounts payable	(3,254)	-	(3,254)	(9,317)	-	(9,317)
Increase in accrued liabilities and other	7,623	721	8,344	11,239	24,242	35,481
Total adjustments	9,070	7,871,958	7,881,028	(5,367)	7,470,468	7,465,101
Net cash provided (used) by operating activities	$ (981,938)	$ 1,351,265	$ 369,327	$ (1,062,851)	$ 1,169,477	$ 106,626
Noncash financing activities:						
Net amortization and accretion related to the capital debt		$ 1,598,692			$ 1,771,663	

The notes to the financial statements are an intergral part of this statement.

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 entertainment and sports facilities in Columbus, Ohio.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies **–** The significant accounting policies followed in preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

The Authority 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.

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 Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
- Notes to the financial statements

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue to apply all applicable pronouncements of the Governmental Accounting Standards Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

***Proprietary Fund* –** The Authority operates as an enterprise fund. Enterprise funds are used to account for the costs of providing goods or services to the general public on a continuing basis which are financed or recovered primarily through user charges or to report any activity for which a fee is charged to external users for goods or services, regardless of whether the government 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 principal operating revenues of the operating fund is the net income received from the management company responsible for running the day-to-day operations of the facility. The principal operating revenue in the capital fund is generated from the land lease agreements. Operating expenses for the enterprise funds include administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition 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 fund types are used by the Authority:

> ***Operating Fund* –** The operating fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund. The net assets of the operating fund is available to the Authority for any purpose, provided it is expended or transferred according to the Authority's regulations.
>
> ***Capital Fund* –** The capital fund is used to account for financial resources used for the acquisition, development or construction of the facility, as well as the accumulations of resources for, and the payment of, capital debt principal, interest and related costs.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Funds Held in Escrow **–** At December 31, 2004 and 2003, various short-term investments and cash balances amounting to $57,034 and $56,313, respectively were held in an escrow account on deposit with the trustee.

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

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

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

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

Net Assets **–** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates **–** The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Newly Issued Accounting Pronouncements **–** GASB recently issued Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3).* This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The Authority has decided to implement Statement No. 40 early for the year ended December 31, 2004.

During November of 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this statement are effective for fiscal periods beginning after December 15, 2004. The Authority has not determined the impact, if any, this statement will have on its financial statements.

3. CASH AND INVESTMENTS

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation, or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority.

Deposits **–** At December 31, 2004 and 2003, the carrying amount of the Authority's deposits were $208,206 and $134,500, respectively, and the bank balances were $208,239 and $145,282, respectively. Of the bank balance at December 31, 2004, $159,020 was covered by Federal Depository Insurance and $49,219 was uninsured and collateralized with securities held by the financial institution or by its trust department or agent but not in the Authority's name. Of the bank balance at December 31, 2003, $134,500 was covered by Federal Depository Insurance.

3. CASH AND INVESTMENTS - CONTINUED

Investments – The Authority 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 revised by Senate Bill 81.

The types of obligations eligible for investment and deposits include:

1. U.S. Treasury Bills, Notes, and Bonds; various federal agency securities, including issues of Federal National Mortgage Assn. (FNMA), Federal Home Loan Mortgage Corp. (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Student Loan Marketing Assn (SLMA), Government National Mortgage Assn. (GNMA), and other agencies or instrumentalities of the United States. Eligible investments include securities that may be "called" (by the issuer) prior to the final maturity date. All eligible investments may be purchased at a premium or a discount. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
2. Commercial paper notes issued by companies incorporated under the laws of the United States; specific limitations apply as defined under Ohio Revised Code Section 135.14(B)(7).
3. Bankers acceptances issued by any domestic bank rated in the highest category by a nationally recognized rating agency; specific limitations apply as defined under Ohio Revised Code Section 135.14(B)(7).
4. Certificates of deposit from any eligible institution mentioned in Ohio Revised Code Section 135.32.
5. No-loan money market mutual funds rated in the highest category by at least one nationally recognized rating agency, investing exclusively in the same types of eligible securities as defined in Ohio Revised Code Sections 135.14(B)(1) and 135.14(B)(2) and repurchase agreements secured by such obligations. Eligible money market funds shall comply with ORC Section 135.01 regarding limitations and restrictions.
6. Repurchase agreements with any eligible institutions mentioned in Ohio Revised Code Section 135.32, or any eligible securities dealer pursuant to Ohio Revised Code Section 135.32(J), except that such eligible securities dealers shall be restricted to primary government securities dealers. Repurchase agreements will settle on a delivery vs. payment basis with collateral held in the safekeeping by a third party custodian. The market value of securities subject to a repurchase agreement must exceed the principal value of the repurchase agreement by at least two percent as defined under the Ohio Revised Code.
7. The state treasurer's investment pool (STAR Ohio), pursuant to Ohio Revised Code Section 135.45.

3. CASH AND INVESTMENTS - CONTINUED

The Authority intends to hold its investments until maturity but reports the investments at fair value in accordance with GASB Statement No. 31 and discloses the investment according to risk in accordance with GASB Statement No. 40. The following chart illustrates the Authority's investments at fair value as of December 31, 2004:

	Fair Value	Credit Rating	Maturity in Years <1	1-3	3-5
Operating Fund:					
STAR Ohio	1,053,631	AAAm[1]	1,053,631		
Carrying Amount of Deposits	58,988		58,988		
	1,112,619		1,112,619		
Capital Fund:					
STAR Ohio	5,147,636	AAAm[1]	5,147,636		
Federal Agency - Coupon	18,576,617	N/A[2]	3,683,325	7,386,336	7,506,956
Carrying Amount of Deposits	149,218		149,218	-	-
	23,873,471		8,980,179	7,386,336	7,506,956
Totals	24,986,090		10,092,798	7,386,336	7,506,956

As of December 31, 2003, the Authority held the following investments:

	Fair Value Operating Fund	Capital Fund
STAROhio	$1,259,208	$23,445,154

	2004 Operating Fund	2004 Capital Fund	2003 Operating Fund	2003 Capital Fund
Per Statement of Net Assets:				
Cash and Cash Equivalents	$ 58,988	$ 149,218	$ 40,651	$ 93,849
Investments	1,053,631	2,400,843	1,259,208	1,955,217
Restricted Bond Covenant Accounts	-	21,266,376	-	21,489,937
Funds Held in Escrow	-	57,034	-	56,313
	$1,112,619	$23,873,471	$1,299,859	$23,595,316

[1] Standards & Poors
[2] Obligations of the US government explicitly guaranteed by the US Government are not considered to have credit risk and do not require disclosure of credit quality

3. CASH AND INVESTMENTS - CONTINUED

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 does operate in a manner similar to Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004 and 2003.

Cash and investments in the operating fund in the amount of $128,315 and $205,688 held in escrow were restricted at December 31, 2004 and 2003, respectively, under the terms of the Bond Indenture, and may be used only in the event that the Authority does not have sufficient funds available to pay property insurance premiums when due.

As further discussed in Note 6, a portion of investments in the capital fund is restricted for debt service.

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4. CAPITAL ASSETS

Operating Fund	Beginning Balance	Increases	Transfers	Ending Balance
Capital assets, being depreciated:				
Equipment & Furnishings	$ 33,044	$ -	$ -	$ 33,044
Total capital assets, being depreciated	33,044	-	-	33,044
Less accumulated depreciation for:				
Equipment & Furnishings	(25,772)	(1,818)	-	(27,590)
Total accumulated depreciation	(25,772)	(1,818)	-	(27,590)
Total capital assets, being depreciated, net	7,272	(1,818)	-	5,454
Total capital assets, net	$ 7,272	$ (1,818)	$ -	$ 5,454
Capital Fund				
Capital assets, not being depreciated:				
Land	$ 32,428,682	$ -	$ -	$ 32,428,682
Construction in progress	27,307	659,280	(307,786)	378,801
Total capital assets, not being depreciated	32,455,989	659,280	(307,786)	32,807,483
Capital assets, being depreciated:				
Buildings & Improvements	193,475,851	307,786	-	193,783,637
Improv. Other Than Buildings	1,552,245	-	-	1,552,245
Major Building Equipment	9,381,154	-	-	9,381,154
Parking Lot	1,144,558	-	-	1,144,558
Equipment & Furnishings	5,249,629	321,356	-	5,570,985
Total capital assets, being depreciated	210,803,437	629,142	-	211,432,579
Less accumulated depreciation for:				
Buildings & Improvements	(43,945,452)	(6,986,598)	-	(50,932,050)
Improv. Other Than Buildings	(312,636)	(76,738)	-	(389,374)
Major Building Equipment	(9,350,060)	(12,438)	-	(9,362,498)
Parking Lot	(398,210)	(28,614)	-	(426,824)
Equipment & Furnishings	(3,896,181)	(254,816)	-	(4,150,997)
Total accumulated depreciation	(57,902,539)	(7,359,204)	-	(65,261,743)
Total capital assets, being depreciated, net	$ 152,900,898	$ (6,730,062)	$ -	$ 146,170,836
Total capital assets, net	$ 185,356,887	$ (6,070,782)	$ (307,786)	$ 178,978,319

5. LONG TERM OBLIGATIONS

A. Bonds outstanding at December 31, 2004 are as follows:

Type	Interest Rate	Maturity
Refunded Term/Seriest 97	5%	2013 and 2027
Refunded Serial/97	4.3% to 5%	2003 to 2012
Refunded Serial/02	2.5% to 5.25%	2003 to 2019
Zero Coupon	-	2002 to 2019

	Balance 12/21/2003	Additions	Reductions	Balance 12/31/2004	Due Within One Year
Refunded Term/Seriest 97	61,600,000	-	-	61,600,000	-
Refunded Serial/97	17,820,000	-	(1,630,000)	16,190,000	1,700,000
Refunded Serial/02	54,130,000	-	(265,000)	53,865,000	270,000
Zero Coupon	30,485,000	-	(4,355,000)	26,130,000	4,355,000
Total	164,035,000	-	(6,250,000)	157,785,000	6,325,000
Less:					
Unamortized discount	(4,191,990)	1,332,292	-	(2,859,698)	
Unamortized insurance costs	(309,772)	19,797	-	(289,975)	
Unamortized deferred costs	(3,965,031)	246,873	-	(3,718,158)	
	(8,466,793)	1,598,962	-	(6,867,831)	
Total Debt less amortization	155,568,207	1,598,962	(6,250,000)	150,917,169	

Interest on the term and serial bonds is payable semiannually on June 1 and December 1. Interest is accreted on the zero coupon bonds semiannually on June 1 and December 1, to provide yields of 7.05% to 7.15% at maturity. Interest has been accrued on all bonds through December 31, 2004. Bonds mature on December 1 in the years set forth above.

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

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

5. LONG TERM OBLIGATIONS - CONTINUED

On November 1, 2002, the Authority issued $54,405,000 of tax and lease revenue anticipation refunding bonds with a true interest cost of 4.18%, to advance refund $57,880,000 of outstanding 1992 serial and term bonds with a true interest cost of 6.23%. The proceeds of $59,237,107 (net of $858,287 in underwriting fees, insurance and other issuance costs and $4,728 in additional proceeds) coupled with $1,406,253 in debt service funds provided for a deposit of $60,643,360 into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 serial and term bonds. As a result, the 1992 bonds are considered to be defeased and the liability for those bonds was removed from the bonds payable balance.

The 2002 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3,377,800. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2019 using the straight-line method. The Authority completed the advance refunding to reduce its total bond payments through the year 2019 by $10,717,885 and to obtain an economic gain (difference between the present values of the old and new bond payments) of $7,724,113.

B. The principal and interest payment obligations related to all bond indebtedness for the five-year period commencing January 1, 2005 and thereafter, including the effect of the refunding, are as follows:

	Principal	Interest
2005	$ 6,325,000	$ 6,646,081
2006	6,405,000	6,564,531
2007	6,510,000	6,460,181
2008	6,625,000	6,348,781
2009	6,720,000	6,248,588
2010-2014	36,975,000	28,046,275
2015-2019	46,980,000	17,843,875
2020-2024	27,255,000	6,875,000
2025-2028	13,990,000	1,421,500
	$157,785,000	$86,454,812

All term bonds are callable at the option of the Authority at prescribed redemption prices plus accrued interest.

5. LONG TERM OBLIGATIONS - CONTINUED

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

6. DEBT SERVICE RESERVES

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

	2004		2003	
	Reserve Balance	Required Balance	Reserve Balance	Required Balance
Debt service fund	1,080,896	1,080,923	1,081,367	1,081,205
Debt service reserve fund	13,582,813	13,582,250	13,593,612	13,582,250
Rental reserve fund	6,793,112	6,791,125	6,796,794	6,791,125
Total	21,456,821	21,454,298	21,471,773	21,454,580

At December 31, 2004, the Debt Service Fund reserve balance was $27 below the required balance. Within 90 days of year-end, the Authority transferred the amount necessary to bring the reserve balance in-line with the required balance.

The Authority monitors arbitrage rebate compliance in accordance with Internal Revenue Code Section 148(f). As a result of the arbitrage calculation for the 5 year period ending January 6, 2003, and in compliance with the Bond Indenture, the Authority has deposited $57,034 and $56,313 in a separate account for 2004 and 2003 respectively.

During 2004, the Authority invested in government obligations and STAR Ohio. In 2003 all investments were with STAR Ohio. For financial reporting purposes, GASB Statement No. 31 requires these investments to be reported at fair value, but for purposes of evaluating compliance with the required reserve balance, the Bond Indenture allows for valuing investments at cost. Thus, the cost value of the investments is used to determine the reserve balance at December 31, 2004 and 2003, respectively.

6. DEBT SERVICE RESERVES - CONTINUED

Additionally, in accordance with lease and sublease agreements between the Authority and the City of Columbus and Franklin County, the City and County will provide necessary funds for the payment of bond principal and interest if the rental reserve and debt service 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.

7. ARENA LAND OPTION AGREEMENT

The Authority has a total of approximately 10.2 acres of land ("arena land") which can be purchased by Nationwide Arena, LLC ("Nationwide") and Nationwide Realty Investors, Ltd. ("NRI") for $10 million and the relinquishment of the contributed capital given for land acquisition (credit), adjusted for CPI at the time of purchase of the land. Arena land includes property received from the City of Columbus for corresponding vacated street right of ways. Capitol South Community Urban Redevelopment Corporation ("Capitol South"), a not-for-profit corporation, leases this land from the Authority, and subleases the arena land to Nationwide who constructed a multi-purpose arena and related facilities pursuant to terms of an Option Agreement between the Authority, Nationwide and NRI dated December 17, 1998 and related amendments. The lease with Capitol South commenced December 1998. Rent commenced on September 7, 2000 for a term of 40 years. Base rent equals $150,000 a year for years 1 – 10, $165,000 a year for years 11 – 25 and $165,000 plus inflation thereafter. Additional rent as defined is also due. Rental revenue earned related to this lease was $150,000 during each period ended December 31, 2004 and 2003. The Authority received $1,428,722 and 283,855, from Capitol South during 1998 and 1999, respectively, in the form of cash for arena land acquisition. These payments provided a credit for future arena land purchases by Nationwide of $1,722,577.

During 2001, Nationwide and NRI exercised their option under terms of the Option Agreement and purchased .6 of an acre of arena land from the Authority, reducing credit for future arena land purchases to $1,081,134 (based upon calculation requirements provided for in the Option Agreement).

8. CONTRIBUTION FOR THE CONSTRUCTION OF ROADWAY

Nationwide Realty Investors, Ltd., as developer and agent for Nationwide Arena, LLC, and the City of Columbus have entered into the Capital Improvements Project Reimbursement Agreement for Neil Avenue Capital Improvements Project. As part of the agreement regarding the construction of Convention Center Way, which is a component of the work under the Neil Avenue agreement, the Authority agreed to pay for $400,000 of the cost to design and construct the roadway. As of December 31, 2003, $325,000 was paid on this agreement, and $400,000 has been paid on this agreement as of December 31, 2004.

9. FACILITY OPERATOR AGREEMENTS

The management, operations and marketing of the Greater Columbus Convention Center (herein referred to as convention center) is facilitated through a Management Agreement with SMG. The current Management Agreement is effective through December 31, 2004. As permitted in the agreement, the Board has opted to renew the Management Agreement with SMG through December 31, 2006. As part of this Management 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 expenditures 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 annually audited and reviewed.

Bottom line performance of the convention center is incorporated annually into the Authority's financial statement as a reported change to the outstanding receivable due from convention center operations. The $931,387 and $922,477 due to the Convention Facilities Authority at December 31, 2004 and 2003, respectively, is comprised primarily of the net excess of revenues over expenses from convention center operations for the years ended December 31, 1993 through December 31, 2004.

As base compensation for providing management services, SMG receives the following fixed fee:

2002	$250,000
2003	$255,500
2004	$260,099
2005	Based upon prior year adjusted for CPI as defined
2006	Based upon prior year adjusted for CPI as defined

SMG is also entitled to annual quantitative and qualitative incentive fees, as defined, with respect to each fiscal year. The quantitative incentive fee is based on the greater of 15% of the expense reduction, as defined, or 30% of any revenue increase, as defined. However, the quantitative incentive fee may not exceed 80% of the fixed fee payable as discussed above. The qualitative incentive fee cannot exceed 20% of the fixed fee payable as discussed above and is based on various defined criteria including but not limited to client satisfaction exit surveys, community involvement of operator personnel, quality maintenance and operation of the facilities and compliance with the terms of the management agreement. In 2004 and 2003, the Authority expensed SMG fees of $404,963 and $511,000, respectively, of which $144,864 and $255,500 was accrued at December 31 2004 and 2003, respectively.

9. FACILITY OPERATOR AGREEMENTS - CONTINUED

In accordance with the terms of the Management Agreement, the Authority is required to provide the operator certain operating funds, as defined, sufficient to meet one quarter's operating expenses plus maintain a $400,000 cash flow reserve fund, (or other such amount mutually agreed upon). At December 31, 2004 and 2003, the Authority has not been required to advance any funds to the operator to establish or maintain this reserve.

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

On March 31, 1997, the Authority and SMG entered into a Marquee and Advertising Rights Agreement whereby SMG will provide a capital contribution up to $300,000 for Marquee systems (as defined) in exchange for exclusive rights to provide advertising on these systems. Advertising income generated will be remitted 100% to SMG up to its capital contribution and 50% to SMG, 50% to the Authority thereafter. No income has been earned or remitted to the Authority under this agreement as of December 31, 2004.

In 1998 Hyatt, a lessor (see Note 10), acquired a 50% ownership of SMG.

10. CONVENTION FACILITIES TRANSFER AGREEMENT

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

Hyatt lease revenue is comprised of monthly minimum rentals in addition to annual cash distributions from the Hyatt if the Hyatt meets certain targets for cash flow (as defined). Minimum rent was $31,250 per quarter for 2004 and 2003. Additional lease revenue of $460,780 and $907,424 was owed to the Authority at December 31, 2004 and 2003, respectively. SMG, as well, recorded revenues of $820,000 and $965,000 in 2004 and 2003, respectively, from Ohio Center Hotel Company, LTD. (an affiliate of Hyatt) for provided services primarily utilities, parking and meeting space rentals.

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 recognized by the operators of the facility in accordance with the operating method.

11. VACATION, SICK LEAVE AND PERSONAL LEAVE

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

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

12. RETIREMENT PLAN

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

***Funding Policy* –** The Authority and covered employees contribute at actuarially determined rates for 2004, 13.55% and 8.5%, respectively, of covered employee payroll to PERS. The Authority's contributions to PERS for the years ended December 31, 2004, 2003, and 2002 were $36,322, $33,273, and $34,234, respectively. The employees' contributions to PERS for the years ended December 31, 2004, 2003, and 2002 were $22,785, $20,872, and $21,412, respectively. Required contributions are equal to 100% of the dollar amount billed. The Board of the Authority has elected to pay the employees' portion of PERS.

Other Postretirement Benefits - PERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12.

A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The portion of the employer contribution rate used to fund health care for 2004 was 4.0 percent of covered payroll. During 2004, $10,722 of the Authority's total contribution to PERS was used for postretirement benefits.

12. RETIREMENT PLAN - CONTINUED

Benefits are advance-funded on an actuarially determined basis. The number of active contributing participants was 369,885 at December 31, 2004. The actuarial value of the Retirement System's net assets available for benefits at December 31, 2003 (latest information available) was $10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $26.9 billion and $16.4 billion, respectively.

13. RISK MANAGEMENT

During the year 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 each of the past three fiscal years. There has not been a significant reduction of coverage since the prior year in any of the major categories of risk.

Report On Compliance And On Internal Control Required By Government Auditing Standards

Board of Directors
The Franklin County Convention Facilities Authority
Columbus, Ohio

We have audited the basic financial statements of the Franklin County Convention Facilities Authority, Franklin County, Ohio (the "Authority") as of and for the year ended December 31, 2004 and have issued our report thereon dated March 16, 2005, wherein we noted the Authority adopted GASB Statement Number 40. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 16, 2005

Auditor of State
Betty Montgomery

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

THE 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
JUNE 9, 2005