FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2014

Dave Yost · Auditor of State

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Franklin County Convention Facilities Authority, Franklin County, Ohio (the Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Franklin County Convention Facilities Authority, Franklin County, Ohio, as of December 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 24, 2015

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the Franklin County Convention Facilities Authority (herein referred to as the Authority) and provides an introduction to the Authority's basic financial statements for the year ended December 31, 2014. The information contained in this MD&A should be considered in conjunction with information presented in the Authority's basic financial statements and corresponding notes to the basic financial statements.

OVERVIEW OF THE AUTHORITY

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

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Authority's basic financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). The financial information of the Authority is accounted for in three separate proprietary (enterprise) funds in order to reflect limitations and restrictions placed on the use of available resources. The Arena Fund, established in 2012, is used to account for financial resources used for the acquisition and capital improvement of the Arena, as well as the accumulations of resources for, and the payment of capital debt principal, interest and related costs. The Hotel Fund is used to account for financial resources used for the development and construction of the Hilton Hotel, as well as the accumulations of resources for, and the payment of capital debt principal, interest and related costs. The Convention Center Fund is used to account for financial resources used for the acquisition, development and construction of the Convention Center, as well as the accumulations of resources for, and the payment of capital debt principal, interest and related costs. The Convention Center Fund is used to account for all financial resources and expenses of the Authority except those required to be accounted for in the Hotel Fund and the Arena Fund.

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

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

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

FINANCIAL POSITION OF THE AUTHORITY

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

	Convention Center Fund		
	2013	**2014**	**Increase (Decrease) over/ (under) 2013**
Current and other assets	$ 31,822,669	$ 195,601,122	$ 163,778,453
Capital assets, Net	178,537,024	176,993,086	(1,543,938)
Total assets	210,359,693	372,594,208	162,234,515
Deferred outflows of resources	3,625,331	6,533,555	2,908,224
Current liabilities	8,676,267	11,828,611	3,152,344
Noncurrent liabilities	150,645,461	307,829,747	157,184,286
Total liabilities	159,321,728	319,658,358	160,336,630
Deferred inflows of resouces	600,000	525,000	(75,000)
Net investment in capital assets	41,699,942	42,577,775	877,833
Restricted for debt service	7,740,956	8,843,925	1,102,969
Restricted for capital projects	-	176,749	176,749
Unrestricted	4,622,398	7,345,956	2,723,558
Total net position	**$ 54,063,296**	**$ 58,944,405**	**$ 4,881,109**

In the Convention Center Fund, total assets plus deferred outflows of resources exceeded total liabilities plus deferred inflows of resources by $58.9 million (net position) at December 31, 2014. A large portion of net position, $42.6 million at December 31, 2014, represents the Authority's investment in capital assets, less the related debt outstanding used to acquire those capital assets. These capital assets are property, facilities, equipment and related items that support the initial construction, as well as the continual expansion and improvement of the convention center and related facilities. Although the Authority's investment in capital assets is reported net of debt; it is noted that the resources needed to repay the debt associated with the Convention Center are provided annually from collection of hotel/motel excise taxes, since capital assets themselves cannot be used to liquidate liabilities.

An additional component of Convention Center Fund net position, $8.8 million at December 31, 2014, is subject to restrictions as set forth in the Authority's bond indentures. 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 component of net position restricted for capital projects, $176,749, is held in reserve for future Convention Center capital improvement projects. Interest earned on Construction Fund investments is designated to be used for purposes of the Convention Center's capital project expenses.

The Convention Center Fund's remaining unrestricted net position of $7.3 million may be used to meet any of the Authority's ongoing obligations.

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

	Hotel Fund		
	2013	**2014**	**Increase (Decrease) over/ (under) 2013**
Current and other assets	$ 23,323,065	$ 28,856,312	$ 5,533,247
Capital assets, Net	135,715,871	132,521,527	(3,194,344)
Total assets	159,038,936	161,377,839	2,338,903
Current liabilities	2,406,323	840,198	(1,566,125)
Noncurrent liabilities	160,000,000	160,000,000	-
Total liabilities	162,406,323	160,840,198	(1,566,125)
Net investment in capital assets	(18,990,374)	(21,087,209)	(2,096,835)
Restricted for debt service	13,061,411	18,727,826	5,666,415
Restricted for capital projects	200,655	497,024	296,369
Restricted for other	2,400,000	2,400,000	
Unrestricted	(39,079)	-	39,079
Total net position	**$ (3,367,387)**	**$ 537,641**	**$ 3,905,028**

In the Hotel Fund, total assets exceeded total liabilities by $537,641 (net position) at December 31, 2014. A large portion of net position, negative $21.1 million at December 31, 2014, represents the Authority's investment in capital assets, less the related debt outstanding used to acquire those capital assets. The reported negative net investment in capital assets within the Hotel Fund reflects the difference between the value of bonds issued for the hotel development project and the value of items capitalized as a result of the implementation of the hotel development project. Most of the bond proceeds received as a result of the hotel development project bond issue have been used to construct the hotel. All these costs were capitalized.

Bond proceeds were also deposited into a debt service reserve fund and a rental reserve fund established per terms of the bond indenture. Such deposits were not capitalized. In addition, bond proceeds were used to purchase items for the Hilton Hotel that were not capitalized per guidelines provided by the Authority's approved capital asset program. These items were planned as part of the hotel development project and included hotel operating supplies, furniture, and equipment.

An additional component of Hotel Fund net position, $18.7 million at December 31, 2014, is subject to restrictions as set forth in the Authority's bond indenture for the hotel development project. 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.

Net income from hotel operations is used to pay debt service associated with bonds issued for the hotel development project. Net income that exceeds the annual debt service obligation is restricted and is held in reserve to meet future debt service obligations.

The Hotel Fund net position also includes $2.4 million in restricted funds (other) held in reserve for hotel operations and $497,024 in restricted funds held in reserve for future hotel capital improvement projects and FF&E purchases.

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

	Arena Fund		
	2013	**2014**	**Increase (Decrease) over/ (under) 2013**
Current and other assets	$ 286,210	$ 536,347	$ 250,137
Capital assets, Net	45,799,402	44,403,183	(1,396,219)
Total assets	46,085,612	44,939,530	(1,146,082)
Current liabilities	4,244,447	7,041,852	2,797,405
Noncurrent liabilities	53,708,764	53,208,764	(500,000)
Total liabilities	57,953,211	60,250,616	2,297,405
Net investment in capital assets	(3,759,422)	(5,331,817)	(1,572,395)
Restricted for capital projects	-	83,789	83,789
Unrestricted	(8,108,177)	(10,063,058)	(1,954,881)
Total net position	**$ (11,867,599)**	**$ (15,311,086)**	**$ (3,443,487)**

In the Arena Fund, total liabilities exceeded total assets by $15.3 million (net position) at December 31, 2014. The net position of the Arena Fund is negative due to the intergovernmental revenue from casino taxes coming in less than expected and therefore the expenses outpaced the revenues.

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

	Convention Center Fund		
	2013	**2014**	**Increase (Decrease) over/ (under) 2013**
Operating Revenues			
Lease rent	$ 1,468,728	$ 1,314,765	$ (153,963)
Gain from operations	1,994,267	3,294,966	1,300,699
Miscellaneous	138,832	761	(138,071)
Nonoperating Revenues			
Hotel/motel excise tax	18,851,325	20,203,554	1,352,229
Decrease in fair value of investments	(477,582)	(369,692)	107,890
Interest earnings	358,483	377,718	19,235
Total Revenues	22,334,053	24,822,072	2,488,019
Operating Expenses			
Salary and fringe benefits	778,997	1,011,691	232,694
Insurance	412,096	380,356	(31,740)
Purchased services	350,725	531,735	181,010
Materials and supplies	865,312	218,369	(646,943)
Depreciation	8,772,203	7,670,153	(1,102,050)
Other	9,990	9,915	(75)
Nonoperating Expenses			
Interest expense	6,202,282	6,064,598	(137,684)
Bond issuance costs	-	1,320,492	1,320,492
Total Expenses	17,391,605	17,207,309	(184,296)
Change before Transfers	4,942,448	7,614,763	2,672,315
Transfers	(9,715,928)	(2,733,654)	6,982,274
Change in Net Position	(4,773,480)	4,881,109	9,654,589
Beginning Net Position	58,836,776	54,063,296	(4,773,480)
Ending Net Position	**$ 54,063,296**	**$ 58,944,405**	**$ 4,881,109**

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

- Lease rent is annual lease payments received for the use of property owned or leased by the Authority. The Authority manages three such lease agreements; one with the Hyatt Regency Hotel connected to the Convention Center, the second with Drury Inn, also connected to the Convention Center, and the third with Nationwide Arena. In regards to the Hyatt Regency Hotel and the Drury Inn, 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. The entire Arena lease payment is fixed. In 2014, lease rent payments declined slightly due to the performance of the Hyatt Regency Hotel.

- 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 expenses associated with operating the facility. Bottom line performance of the Convention Center is recorded as "gain from operations" in the Convention Center Fund.

  2014 proved to be another very successful year for the Convention Center. Convention Center operations ended the year with a surplus, significantly above the surplus experienced during 2013. Such surplus was the result of a strong event calendar for the center that positively impacted income from rentals, food and beverage sales and ancillary services. Parking revenues were also up due to the opening of the expanded Vine Street parking facility and added parking due to the opening of the Hilton Hotel.

- The Authority has an office that is responsible for implementing policies and programs of the board. Most operating expenses as listed are used to support this office. The reported increase in salary and fringe benefits reflects the addition of one new full time position within the office.

- Insurance is a major expense for the Convention Center Fund. Included in this line item are costs associated with purchasing property, general liability, umbrella and public official's liability insurance.

- 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 Convention Center debt service obligations of the Authority. Revenues and earnings in excess of convention center debt service obligations are deposited into the Convention Center Fund as available equity. Hotel/motel tax collections during 2014 proved to be 7.2 percent or $1.4 million above prior year collections. This increase was due to improved occupancy and average daily rates within the local hotel market. When hotel/motel tax collections are combined with revenue received from interest earnings in reserve funds, collections and related earnings for the year exceeded Convention Center debt service obligations by approximately $6.8 million.

- 2014 interest earnings are mainly acquired through investment of resources in U.S. Agency Securities and Treasuries consistent with an investment policy approved by the Authority. While investments will be held until maturity, there is a reported decrease in investment income for 2014 due to the valuation of such investments at current market and sales associated with planned cash flow needs of construction. This decrease is temporary as reported gains and losses will fluctuate throughout the investment period.

- In December 2011, the Authority issued $16.0 million in parking garage improvement revenue bonds to finance the expansion of the Vine Street parking facility. In July 2014, the Authority issued $18.0 million in parking garage improvement revenue bonds for the development of a new multi-level parking facility near the Convention Center. Both bond issues were thirty year, taxable bonds purchased by the Franklin County Treasurer. Debt service associated with these bonds are paid through revenue received from use of parking facilities owned by the Authority and managed by SMG. The Authority has signed a long term agreement with Nationwide Reality Investors for a license to use parking spaces within the Authority's Vine Street Garage. Revenue from this agreement was approximately $808,740 in 2014 and was included within the revenue reported as a "gain from operations".

- Given the current demand for high quality convention center space, the Authority is implementing a comprehensive improvement project that will update and expand the Convention Center. Renovation of the Convention Center will include a complete redesign of the interior that will refresh and modernize the facility as well as enhance a client's use of and experience within the facility. In addition, the Authority will expand the Center by adding 36,000 square feet of exhibit hall space, 11,000 square feet of meeting space, 28,000 square feet of concourse/prefunction space and a new grand two-story entrance into the Center. Construction of the renovation and expansion project is scheduled to begin September 2015 with completion in 2017. The renovation and expansion project is financed through tax and lease revenue anticipation and refunding bonds issued December, 2014. Bond issuance costs associated with this issue are included as a non-operating expense in 2014.

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

	Hotel Fund		
	2013	**2014**	**Increase (Decrease) over/ (under) 2013**
Operating Revenues			
Gain from operations	$ 8,803,157	$ 11,140,904	$ 2,337,747
Miscellaneous	120,075	-	(120,075)
Nonoperating Revenues			
Decrease in fair value of investments	(239,029)	(227,062)	11,967
Interest earnings	287,825	270,830	(16,995)
Intergovernmental revenue	864,915	977,372	112,457
Interest subsidy revenue	3,248,292	3,272,994	24,702
Total Revenues	13,085,235	15,435,038	2,349,803
Operating Expenses			
Insurance	18,167	-	(18,167)
Purchased services	475,901	5,708	(470,193)
Materials and supplies	247,431	308,845	61,414
Depreciation	3,798,633	3,814,230	15,597
Other	17,188	35,000	17,812
Nonoperating Expenses			
Interest expense	10,082,383	10,082,383	-
Total Expenses	14,639,703	14,246,166	(393,537)
Change before Transfers	(1,554,468)	1,188,872	2,743,340
Transfers	9,651,209	2,716,156	(6,935,053)
Change in Net Position	8,096,741	3,905,028	(4,191,713)
Beginning Net Position	(11,464,128)	(3,367,387)	8,096,741
Ending Net Position	**$ (3,367,387)**	**$ 537,641**	**$ 3,905,028**

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

- In answer to increasing demand for hotel rooms near and connected to the Convention Center, the Authority in partnership with the City of Columbus and Franklin County, constructed a new hotel on property near the Convention Center. Opened in October 2012, the Hilton Hotel, branded and managed by Hilton Hotels, includes 532 guest rooms of which 48 are suites, a ballroom, meeting/banquet rooms, lobby, a three meal restaurant, bar/lounge area, coffee shop, pool, fitness center and walkway to the Convention Center. Parking for the hotel is provided by the Vine Street Parking Facility located next to the hotel site. The Hilton Hotel is 14 floors with over 429,600 square feet of usable space.

- To finance the development and construction of the new Hilton Hotel, the Authority issued lease revenue anticipation bonds backed by Franklin County. Bonds were issued in February 2010 and were issued as Build America Bonds. Interest payments began in 2013. Principal payments will begin in 2016; with net debt service escalating one percent annually after that point in time through 2042 when the last debt service payment is due. Income from the Hilton Hotel as well as revenue equivalent to the Hilton Hotel's hotel/motel taxes and revenue received from the U.S. Treasury is used to cover debt service.

- The management, operation, marketing and branding of the Hilton Hotel is facilitated through the Authority's management agreement with Hilton Management LLC. As part of this management agreement, Hilton is responsible for the financial activity of the Hilton Hotel. Hilton financially manages all revenues collected through the operation of the Hilton Hotel and utilizes these revenues to pay for all expenses associated with operating the facility. Bottom line performance of the Hilton Hotel is recorded as "gain from operations" in the Hotel Fund. Income from hotel operations is used to pay for debt service associated with the hotel project

  2014 was the second full year of operation for the Hilton Hotel and as such, the Hilton Hotel continued to exceed expectations Because the hotel continued to be well received within the market, the Hilton Hotel was able to achieve and maintain an average daily room rate that was almost $5.00 above goal. This room rate when coupled with strong occupancy resulted in a net operating income of $11.1 million for the year.

- U.S. Treasury interest subsidy payments of $3.3 million were made to the Authority in 2014 for debt service pursuant to bond requirements. These payments are impacted by mandatory budget reductions made to the Build America Bond program at the federal level (sequestration).

- Hotel/motel tax revenue resulting from operation of the Hilton Hotel equaled approximately $1.9 million in 2014. Of this total, $977,372 was transferred from the City of Columbus and the remaining funds transferred from the Convention Center Fund. This transfer occurs only if the Authority is able to meet all Convention Center related debt service obligations for the year.

- In 2014, available revenue within the Hotel Fund exceeded the required debt service interest payment for the year by approximately $5.8 million. These funds are reserved for future debt service payments.

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

	Arena Fund		
	2013	**2014**	**Increase (Decrease) over/ (under) 2013**
Nonoperating Revenues			
Interest earnings	564	95	(469)
Intergovernmental revenue	4,750,318	4,995,084	244,766
Total Revenues	4,750,882	4,995,179	244,297
Operating Expenses			
Purchased services	3,942,071	4,083,577	141,506
Materials and supplies	180,726	-	(180,726)
Depreciation	1,686,193	1,714,973	28,780
Other	178,964	191,595	12,631
Nonoperating Expenses			
Interest expense	2,316,083	2,466,019	149,936
Total Expenses	8,304,037	8,456,164	152,127
Change before Transfers	(3,553,155)	(3,460,985)	92,170
Transfers	64,719	17,498	(47,221)
Change in Net Position	(3,488,436)	(3,443,487)	44,949
Beginning Net Position	(8,379,163)	(11,867,599)	(3,488,436)
Ending Net Position	**$ (11,867,599)**	**$ (15,311,086)**	**$ (3,443,487)**

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

- In March 2012, the City of Columbus, Franklin County, Nationwide Realty Investors (Nationwide), Columbus Blue Jackets, The Ohio State University (OSU) and the Authority agreed to a plan for Nationwide Arena that transitioned the Arena from private to public ownership. This transition was developed as a way to strengthen the facility's financial position thus ensuring that the Arena would remain a valuable asset to the community for years to come. Terms of this agreement are as follows:

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

- 2014 was the second year the Authority received casino tax revenues from the City of Columbus and Franklin County to pay for costs associated with the Arena. Total revenue received by the Authority from the city and county was $4,495,084. Of this revenue, $4,080,043 was transferred to CAM for Arena operations, $165,000 was used to pay the land lease payment and $250,041 was set aside for capital improvements. Actual distribution of revenues was consistent with distribution requirements outlined in the arena transaction documents.

- 2014 casino tax revenues received by the Authority were below revenue levels needed to meet debt service obligations for the year. Because revenues were below expectations, the State of Ohio agreed to defer interest due on the State of Ohio loan until 2021. The State of Ohio also reduced the principal amount due on the loan by $500,000 as a result of meeting job commitment and payroll requirements as outlined in the loan agreement.

- Revenues were also not available in 2014 to meet debt service obligations due on the Arena Lease Revenue Bonds purchased by Nationwide. While Nationwide agreed, as part of the transaction process, to defer interest and principal payments on these bonds if casino tax revenue is not available to meet obligations; interest on the bonds will continue to accrue during the deferral period.

- Under the terms of the Arena transaction, the Authority is not required to cover costs associated with the Arena; including principal and interest due on outstanding debt service obligations. Such obligations are payable solely from, and only to the extent of, the Authority receiving casino tax revenue payments from the city and county.

CAPITAL ASSETS

At the end of fiscal year 2014, the Authority had $353,917,796 (net of accumulated depreciation) invested in capital assets. This investment in capital assets includes land; a 1800 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; a 532 room full service hotel with supporting meeting room, ballroom, restaurant, and lobby space; and a 20,000 seat Arena with related concourses, suites, practice facility and parking garage.

The Authority's net capital assets decreased by $6,134,501 in fiscal year 2014. This decrease is the result of current year depreciation expense of $13,199,356: building and equipment additions of $1,831,284; and construction in progress of $5,233,571.

DEBT ADMINISTRATION

At December 31, 2014, the Authority had $533.9 million in bonds and related long term liabilities outstanding; of which $281.5 million are bonds associated with the Convention Center, $160.0 million are bonds issued for development of the Hilton Hotel, $16.0 million are bonds related to the expansion of the Vine Street parking facility, $18.0 million are bonds related to the development of the Goodale Street parking facility, and $58.4 million bonds from the Arena transaction.

Annual debt service requirements for the Convention Center 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 or related expenses.

Annual debt service for the Hilton Hotel is met through income received from the operation of the Hilton Hotel as well as from hotel/motel taxes generated through the operation of the hotel, interest earnings and a subsidy payment from the U.S. Treasury.

Annual debt service for the parking garage improvement revenue bonds (Series 2012 and Series 2014) is covered through parking revenue generated from parking facilities owned by the Authority.

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

In accordance with all bond indentures, debt service reserve funds and rental reserve funds have been established as special trust funds to provide for the payment of bond principal and interest in the event the amount in the debt service fund is insufficient. The bond indenture prescribes the amount to be placed into each of these special trust funds as well as the minimum reserve balances. Per bond indenture requirements, reserve balances are valued on a cash basis. These reserves totaled $69,662,164 at December 31, 2014.

Total debt for the Convention Center Fund increased during 2014 due to the issue of $160,140,000 in tax and lease revenue anticipation and refunding bonds of which $125.1 million represents new money to finance the Convention Center renovation and expansion project and $35.0 million represents money to refund a portion of the outstanding 2007 bond series. Total debt for the Hotel Fund remained unchanged, as no principal payments were required in 2014. Total debt for the Arena Fund increased $1,797,015 due to a $500,000 loan forgiveness on the State Loan and $2,297,015 of interest on the Nationwide Loan being added to the balance. Interest was added because casino tax collections were insufficient during 2014 to meet the interest payment due, as outlined in the bond agreement.

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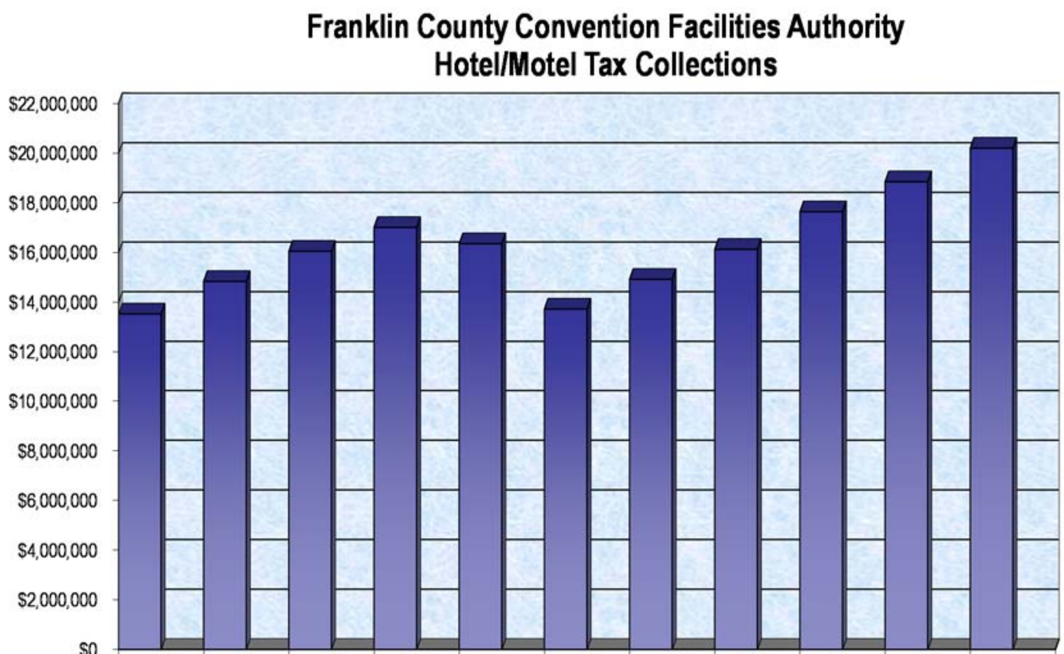
ECONOMIC FACTORS

Economic factors have impacted the convention and travel industry nationwide as well as within the Columbus market. As illustrated in the following graph, percentage change in the Authority's revenue resulting from hotel/motel usage has followed the pattern suggested by market trends experienced throughout the national economy. The Authority experienced a significant decline in tax collections during 2008 and 2009 due to pressures and challenges imposed by the economy. Collections improved significantly in 2010 and have continued to do so as occupancy rates and average daily rates of hotels within the Columbus community increase. Current projections, based upon actual bookings within the local hotel industry as well as within the Convention Center, suggest that this growth trend will continue into 2015.



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Taxes ($)	13,525,765	14,835,910	16,051,285	17,010,766	16,356,431	13,723,219	14,921,225	16,130,121	17,641,191	18,851,325	20,203,554
% Change	2.15	9.69	8.19	5.98	-3.85	-16.10	8.73	8.10	9.37	6.86	7.17

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances and to show accountability for money received by the Authority. For questions or for additional information regarding this report, please contact Maria Mercurio, Finance Director, at 614.827.2805 or mmercurio@fccfa.org.

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Convention Center	Hotel	Arena	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 198,173	$ -	$ -	$ 198,173
Investments	6,022,821	-	-	6,022,821
Restricted assets:				
Investments	4,463,759	840,198	-	5,303,957
Hotel/motel excise tax receivable	2,676,648	-	-	2,676,648
Lease receivable	782,490	-	-	782,490
Interest receivable	249,198	38,991	-	288,189
Operations receivable	2,636,042	421,163	-	3,057,205
Prepaid items	85,864	-	110,000	195,864
Due from other funds	11,250	-	-	11,250
Total current assets	17,126,245	1,300,352	110,000	18,536,597
Noncurrent Assets:				
Deferred charges	210,847	-	-	210,847
Restricted investments	178,264,030	27,555,960	426,347	206,246,337
Capital Assets:				
Nondepreciable capital assets	32,556,992	529,913	-	33,086,905
Construction in progress	5,452,202	-	-	5,452,202
Depreciable capital assets, net	138,983,892	131,991,614	44,403,183	315,378,689
Total capital assets	176,993,086	132,521,527	44,403,183	353,917,796
Total noncurrent assets	355,467,963	160,077,487	44,829,530	560,374,980
Total assets	372,594,208	161,377,839	44,939,530	578,911,577
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized deferred amount on refunding	6,533,555	-	-	6,533,555
Total deferred outflows of resources	6,533,555	-	-	6,533,555
LIABILITIES				
Current Liabilities:				
Accounts payable	2,617,917	-	342,509	2,960,426
Retainage payable	63,868	-	-	63,868
Accrued liabilities and other	168,625	-	14,091	182,716
Due to other funds	-	-	11,250	11,250
Compensated absences payable	172,192	-	-	172,192
Interest payable	1,051,009	840,198	1,467,498	3,358,705
Bonds payable	7,755,000	-	5,206,504	12,961,504
Total current liabilities	11,828,611	840,198	7,041,852	19,710,661
Noncurrent liabilities:				
Compensated absences payable	107,824	-	-	107,824
Bonds payable, net	307,721,923	160,000,000	53,208,764	520,930,687
Total noncurrent liabilities	307,829,747	160,000,000	53,208,764	521,038,511
Total liabilities	319,658,358	160,840,198	60,250,616	540,749,172
DEFERRED INFLOWS OF RESOURCES				
Unamortized up-front service concession payment	525,000	-	-	525,000
Total deferred inflows of resources	525,000	-	-	525,000
NET POSITION				
Net investment in capital assets	42,577,775	(21,087,209)	(5,331,817)	16,158,749
Restricted for debt service	8,843,925	18,727,826	-	27,571,751
Restricted for capital projects	176,749	497,024	83,789	757,562
Restricted for other	-	2,400,000	-	2,400,000
Unrestricted	7,345,956	-	(10,063,058)	(2,717,102)
Total net position	$ 58,944,405	$ 537,641	$ (15,311,086)	$ 44,170,960

See accompanying notes to the basic financial statements.

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Convention Center	Hotel	Arena	Total
OPERATING REVENUES:				
Lease rent	$ 1,314,765	$ -	$ -	$ 1,314,765
Gain from operations	3,294,966	11,140,904	-	14,435,870
Miscellaneous	761	-	-	761
Total operating revenues	4,610,492	11,140,904	-	15,751,396
OPERATING EXPENSES				
Salaries and fringe benefits	1,011,691	-	-	1,011,691
Insurances	380,356	-	-	380,356
Purchased services	531,735	5,708	4,083,577	4,621,020
Materials and supplies	218,369	308,845	-	527,214
Other	9,915	35,000	191,595	236,510
Total operating expenses	2,152,066	349,553	4,275,172	6,776,791
Operating income/(loss) before depreciation	2,458,426	10,791,351	(4,275,172)	8,974,605
Depreciation	7,670,153	3,814,230	1,714,973	13,199,356
Operating income/(loss) before nonoperating revenues and expenses	(5,211,727)	6,977,121	(5,990,145)	(4,224,751)
NONOPERATING REVENUES (EXPENSES)				
Hotel/motel excise tax	20,203,554	-	-	20,203,554
Decrease in fair value of investments	(369,692)	(227,062)	-	(596,754)
Interest earnings	377,718	270,830	95	648,643
Interest expense	(6,064,598)	(10,082,383)	(2,466,019)	(18,613,000)
Bond Issuances Costs	(1,320,492)	-	-	(1,320,492)
Intergovernmental revenue	-	977,372	4,995,084	5,972,456
Interest subsidy revenue	-	3,272,994	-	3,272,994
Total nonoperating revenues (expenses)	12,826,490	(5,788,249)	2,529,160	9,567,401
Income/(Loss) before transfers	7,614,763	1,188,872	(3,460,985)	5,342,650
Transfers in	-	2,716,156	17,498	2,733,654
Transfers out	(2,733,654)	-	-	(2,733,654)
Change in net position	4,881,109	3,905,028	(3,443,487)	5,342,650
Total net position - beginning	54,063,296	(3,367,387)	(11,867,599)	38,828,310
Total net position - ending	$ 58,944,405	$ 537,641	$ (15,311,086)	$ 44,170,960

See accompanying notes to the basic financial statements.

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds			
	Convention Center	Hotel	Arena	Total
Cash Flows from Operating Activities				
Receipts from leases	$ 1,505,679	$ -	$ -	$ 1,505,679
Receipts from services	1,712,107	11,092,981	-	12,805,088
Payments for professional services and operations	(1,577,795)	(471,883)	(4,262,541)	(6,312,219)
Payments to employees for services	(738,290)	-	-	(738,290)
Payments for retirement	(181,993)	-	-	(181,993)
Receipts from other	216,909	83,251	-	300,160
Net cash provided by (used in) operating activities	936,617	10,704,349	(4,262,541)	7,378,425
Cash Flows from NonCapital Financing Activities				
Hotel/motel excise taxes received	20,000,629	-	-	20,000,629
Intergovernmental	-	977,372	4,495,084	5,472,456
Advances in (out)	(11,250)	-	11,250	-
Transfers in (out)	(2,770,309)	2,752,811	17,498	-
Net cash provided by noncapital financing activities	17,219,070	3,730,183	4,523,832	25,473,085
Cash Flows from Capital and related Financing Activities				
Purchases of capital assets	(3,241,570)	(2,183,586)	-	(5,425,156)
Proceeds from the sale of bonds	178,140,000	-	-	178,140,000
Proceeds from bond premium	24,660,841	-	-	24,660,841
Payment to refunding bond escrow agent	(40,572,448)	-	-	(40,572,448)
Payments for bond issuance costs	(1,050,692)	-	-	(1,050,692)
Cash paid on bond interest and fiscal charges	(6,230,632)	(10,082,384)	(11,250)	(16,324,266)
Cash paid on bond principal	(7,590,000)	-	-	(7,590,000)
Cash received from federal interest subsidy	-	3,272,994	-	3,272,994
Net cash provided by (used in) capital and related financing activities	144,115,499	(8,992,976)	(11,250)	135,111,273
Cash Flows from Investing Activities				
Interest received from investments	371,571	282,047	95	653,713
Net investment sales/(purchases)	(162,607,590)	(5,723,603)	(250,136)	(168,581,329)
Net cash used in investing activities	(162,236,019)	(5,441,556)	(250,041)	(167,927,616)
Net increase in cash and cash equivalents	35,167	-	-	35,167
Cash- January 1	163,006	-	-	163,006
Cash- December 31	$ 198,173	$ -	$ -	$ 198,173
Reconciliation of operating income/(loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (5,211,727)	$ 6,977,121	$ (5,990,145)	$ (4,224,751)
Adjustments to reconcile operating income/(loss) to net cash provided by (used in) operating activities:				
Depreciation	7,670,153	3,814,230	1,714,973	13,199,356
Decrease in lease receivable	206,914	-	-	206,914
Increase in operations receivable	(1,523,859)	(47,923)	-	(1,571,782)
Decrease in prepaid items and other	15,555	-	-	15,555
Increase (decrease) in accounts payable	(175,759)	(39,079)	12,631	(202,207)
Decrease in accrued liabilities and other	(44,660)	-	-	(44,660)
Total adjustments	6,148,344	3,727,228	1,727,604	11,603,176
Net cash provided by (used in) operating activities	$ 936,617	$ 10,704,349	$ (4,262,541)	$ 7,378,425
Noncash financing activities:				
Net amortization related to the capital debt	$ (47,927)	$ -	$ -	$ (47,927)

Schedule of noncash transactions:

During the year, the Authority met the annual incentive target for the State Loan. In accordance with the State Loan Agreement, the Authority's principal balance was reduced by $500,000. In addition, the Authority's Arena lease payments were insufficient to pay the interest payment due the bondholder. In accordance with the bond agreement, $2,297,015 of unpaid interest was added to the Authority's principal balance outstanding. Lastly, the Authority capitalized interest related to the parking garage facility and convention center renovation and expansion construction projects in the amounts of $280,905 and $404,176, respectively.

See accompanying notes to the basic financial statements.

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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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Authority follows the business-type activities reporting requirements of GASB Statement No. 34. In accordance with GASB Statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis.

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

- Management's Discussion and Analysis
- Basic financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
- Notes to the basic financial statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Proprietary Funds – The Authority operates using enterprise fund reporting. Enterprise funds are used to account for the costs of providing goods or services to the general public on a continuing basis which are financed or recovered primarily through user charges or to report any activity for which a fee is charged to external users for goods or services, regardless of whether the Authority intends to fully recover the cost of the goods or services provided.

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

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

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

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

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

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

Investments – Investments for the Authority are reported at fair value (generally based on quoted market prices) except for the position in STAROhio, an investment pool managed by the State Treasurer's Office. STAROhio allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Capital Assets and Depreciation – Office equipment, construction costs (including capitalized interest), and improvements are capitalized at cost. Generally, items purchased with individual costs ranging from $5,000 to $25,000 or more are capitalized based on the nature of the asset. Completed facilities are transferred from construction in progress to the appropriate category. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, which range from 13 to 40 years for Buildings and Improvements, 20 to 30 years for Improvements other than Buildings, 3 to 60 years for Furnishings and Equipment, 40 years for Parking lots, and 7 years for major building equipment.

Deferred outflows/inflows of resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has only one item that qualifies for reporting in this category. It is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority only has one item that qualifies for reporting in this category. It is the up-front service concession payment received from the Convention Center operator. This amount is deferred and amortized using the straight-line method over one hundred twenty months, commencing January 1, 2012, with the Authority responsible for repayment of the unamortized portion if the Convention Center operator is not retained for the full duration of such amortization period.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

***Budgetary Accounting* -** Although not required under the Ohio Revised Code, an annual Operating Budget, which lapses at the end of the year, is adopted for management purposes. The budget is adopted on a budgetary accounting basis in which purchase orders, contracts, and other commitments for the expense of monies are recorded as the equivalent of expenses. The defined legal level of control established by the Authority to monitor expenses is at the fund/function level.

3. DEPOSITS 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

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2014, the carrying amount of the Authority's deposits was $25,052,885, which includes $24,854,712 in cash held by the Authority's trustee reported as Restricted Investments on the Statement of Net Position, and the bank balance was $25,080,264. Of the bank balance, $475,551 was covered by Federal Deposit Insurance and $24,604,713 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.

In addition, the Authority had $2,400,000 and $497,024 on deposit with the hotel operator for operating reserves and furniture, fixtures and equipment reserves, respectively, in accordance with the operating agreement. These amounts are also reported as Restricted Investments on the Statement of Net Position.

3. DEPOSITS AND INVESTMENTS – CONTINUED

The Authority has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the Authority and deposited either with the Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105% of the deposits being secured.

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

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 Association (FNMA), Federal Home Loan Mortgage Corp. (FHLMC) , Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Student Loan Marketing Association (SLMA), Government National Mortgage Association (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-load 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 versus 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.

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.

3. DEPOSITS AND INVESTMENTS – CONTINUED

The following chart illustrates the Authority's investments at fair value as of December 31:

	Fair Value	Credit Rating	Maturity in Years <1	1-3	>3
Convention Center Fund:					
STAR Ohio	8,958,482	AAAm	8,958,482	-	-
Money Market Funds	3,971,656	NR	3,971,656	-	-
Federal Agency Securities	150,965,760	AA+[1]	37,767,915	101,399,154	11,798,691
	163,895,898		50,698,053	101,399,154	11,798,691
Hotel Fund:					
STAR Ohio	11,675,243	AAAm	11,675,243	-	-
Federal Agency Securities	7,537,526	AA+[1]	1,442,253	2,890,269	3,205,004
Federal Agency Securities	6,286,365	AAA[1]	1,258,123	2,511,432	2,516,810
	25,499,134		14,375,619	5,401,701	5,721,814
Arena Fund:					
STAR Ohio	426,347	AAAm	426,347	-	-
	426,347		426,347	-	-
Totals	$ 189,821,379		$ 65,500,019	$ 106,800,855	$ 17,520,505

[1] Standard & Poors

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

	Convention Center	Hotel	Arena
Per Deposits and Investments Note:			
Deposits	$ 25,052,885	$ -	$ -
On Deposit with Hotel Operator	-	2,897,024	-
Investments	163,895,898	25,499,134	426,347
Totals	$ 188,948,783	$ 28,396,158	$ 426,347
Per Statement of Net Position:			
Cash and Cash Equivalents	$ 198,173	$ -	$ -
Investments	6,022,821	-	-
Restricted Investments	182,727,789	28,396,158	426,347
Totals	$ 188,948,783	$ 28,396,158	$ 426,347

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

As further discussed in Note 6, a portion of investments is restricted for debt service and construction projects.

4. CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2014 is as follows:

Convention Center Fund	Beginning Balance	Additions	Disposals/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 32,556,992	$ -	$ -	$ 32,556,992
Construction in progress	192,344	6,062,552	(802,694)	5,452,202
Total capital assets, not being depreciated	32,749,336	6,062,552	(802,694)	38,009,194
Capital assets, being depreciated				
Buildings & improvements	260,514,737	480,485	-	260,995,222
Improvements other than buildings	1,558,675	-	-	1,558,675
Major building equipment	8,449,743	-	-	8,449,743
Parking lot	1,144,557	-	-	1,144,557
Equipment & Furnishings	4,421,937	385,872	-	4,807,809
Total capital assets, being depreciated	276,089,649	866,357	-	276,956,006
Less accumulated depreciation for:				
Buildings & improvements	(117,670,290)	(7,233,606)	-	(124,903,896)
Improvements other than buildings	(942,173)	(60,794)	-	(1,002,967)
Major building equipment	(8,449,743)	-	-	(8,449,743)
Parking lot	(686,733)	(28,614)	-	(715,347)
Equipment & Furnishings	(2,553,022)	(347,139)	-	(2,900,161)
Total accumulated depreciation	(130,301,961)	(7,670,153)	-	(137,972,114)
Total capital assets, being depreciated,net	145,787,688	(6,803,796)	-	138,983,892
Total capital assets, net	$ 178,537,024	$ (741,244)	$ (802,694)	$ 176,993,086

Hotel Fund	Beginning Balance	Additions	Disposals/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 300,513	$ -	$ -	$ 300,513
Works of Art	229,400	-	-	229,400
Construction in progress	26,287	5,980	(32,267)	-
Total capital assets, not being depreciated	556,200	5,980	(32,267)	529,913
Capital assets, being depreciated				
Buildings & improvements	141,182,065	630,897	-	141,812,962
Equipment & Furnishings	1,196,478	15,276	-	1,211,754
Total capital assets, being depreciated	142,378,543	646,173	-	143,024,716
Less accumulated depreciation for:				
Buildings & improvements	(6,855,364)	(3,558,791)	-	(10,414,155)
Equipment & Furnishings	(363,508)	(255,439)	-	(618,947)
Total accumulated depreciation	(7,218,872)	(3,814,230)	-	(11,033,102)
Total capital assets, being depreciated,net	135,159,671	(3,168,057)	-	131,991,614
Total capital assets, net	$ 135,715,871	$ (3,162,077)	$ (32,267)	$ 132,521,527

4. CAPITAL ASSETS – CONTINUED

Arena Fund	**Beginning Balance**	**Additions**	**Disposals/ Transfers**	**Ending Balance**
Capital assets, being depreciated				
Buildings & improvements	$ 43,631,850	$ 284,161	$ -	$ 43,916,011
Equipment & Furnishings	5,427,804	34,593	-	5,462,397
Total capital assets, being depreciated	49,059,654	318,754	-	49,378,408
Less accumulated depreciation for:				
Buildings & improvements	(2,220,681)	(1,165,273)	-	(3,385,954)
Equipment & Furnishings	(1,039,571)	(549,700)	-	(1,589,271)
Total accumulated depreciation	(3,260,252)	(1,714,973)	-	(4,975,225)
Total capital assets, net	$ 45,799,402	$ (1,396,219)	$ -	$ 44,403,183

In July 2014, the Authority issued $18,000,000 in Parking Garage Improvement Revenue Bonds, Series 2014, for the purpose of financing the construction of a parking garage facility. In December 2014, the Authority issued $160,140,000 in Tax and Lease Revenue Anticipation and Refunding Bonds, Series 2014, for the purpose of providing funds to (i) pay costs of the renovation and expansion project presently contemplated for the Authority's convention center, including, but not limited to, an expansion of exhibit space as well as ceilings, carpeting, paint, wall coverings and signage, (ii) advance refund a portion of the outstanding principal of the Authority's Tax and Lease Revenue Anticipation and Refunding Bonds, Series 2007, (iii) fund certain required deposits into the Debt Service Reserve Fund and the Rental Reserve Fund; (iv) fund capitalized interest; and (v) pay certain expenses incurred in connection with the issuance of the Series 2014 Bonds.

In accordance with Governmental Accounting Standards Board Statement No. 62, from the date the debt was issued, the Authority capitalizes the net effect of interest expense and related interest revenue on the portion of the debt issued to fund the construction projects. Interest cost related to the parking garage facility and convention center renovation and expansion from issuance of the debt through December 31, 2014 was $281,520 and $518,438, respectively, of which $280,905 and $404,176 has been capitalized, respectively. Interest costs not capitalized are expensed.

5. LONG TERM OBLIGATIONS

Convention Center Fund bonds outstanding at December 31, 2014 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Convention Center Fund					
Series 2005 Refunding	58,255,000	-	(1,015,000)	57,240,000	1,090,000
Series 2007 Renovation and Refunding	43,945,000	-	(37,055,000)	6,890,000	700,000
Series 2011 Parking Garage	16,000,000	-	-	16,000,000	-
Series 2012 Refunding	36,825,000	-	(5,905,000)	30,920,000	5,965,000
Series 2014 Parking Garage	-	18,000,000	-	18,000,000	-
Series 2014 Renovation and Refunding	-	160,140,000	-	160,140,000	-
Total	155,025,000	178,140,000	(43,975,000)	289,190,000	7,755,000
Plus: Unamortized premiums	2,953,234	24,660,841	(1,327,152)	26,286,923	-
Total Convention Center Fund	157,978,234	202,800,841	(45,302,152)	315,476,923	7,755,000

Series 2005 Refunding Bonds

On July 15, 2005, the Authority issued $63,925,000 of tax and lease revenue anticipation refunding bonds with a true cost of 3.65%, to advance refund $61,600,000 of outstanding 1997 refunded term serial bonds and $2,320,000 of outstanding 1997 refunded serial bonds with a true interest cost of 4.5%. The proceeds of $67,677,842 (net of $923,311 in underwriting fees, insurance and other issuance costs) provided for a deposit of $66,757,531 into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 serial and term bonds. As a result, the 1997 bonds are considered to be defeased and the liability for those bonds was removed from the bonds payable balance.

The 2005 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,970,387. This difference, reported in the accompanying basic financial statements as a deferred outflow of resources, is being charged to operations through calendar year 2027 using the straight-line method. The Authority completed the advance refunding to reduce its total bond payments through the year 2027 by $4,334,940 and to obtain an economic gain (difference between the present values of the old and new bond payments) of $766,005.

5. LONG TERM OBLIGATIONS – CONTINUED

Series 2007 Renovation and Refunding Bonds

On October 16, 2007, the Authority issued $47,465,000 of tax and lease revenue anticipation and refunding bonds of which $38,535,000 represented new money for renovations to Battelle Hall and $8,930,000 represented refunding bonds. The Series 2007 serial bonds mature December 1, 2008 through December 1, 2027. All Series 2007 serial bonds maturing on or after December 1, 2018 are callable at par beginning December 1, 2017. The stated interest rate on the Series 2007 serial bonds ranges from 4% to 5%.

The Authority issued $8,930,000 of refunding bonds with a true interest cost of 4.39% to refund $8,680,000 of outstanding Series 1997 serial and term bonds. The proceeds of $8,986,376 (including a net bond premium of $114,388 less $58,012 in underwriting fees and other issuance costs) provided for a deposit of $8,982,675 into an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1997 serial and term bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by $274,350. This amount, reported in the accompanying basic financial statements as a deferred outflow of resources, is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next 14 years by $348,419 and resulted in an economic gain (difference between the present values of the old and new bond payments) of $336,046.

In 2014, a portion of the outstanding Series 2007 refunding bonds, totaling $36,385,000, was refunded.

Series 2011 Parking Garage

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

Series 2012 Refunding Bonds

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

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

5. LONG TERM OBLIGATIONS – CONTINUED

Series 2014 Parking Garage

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

Series 2014 Renovation and Refunding Bonds

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

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

Hotel Fund bonds outstanding at December 31, 2014 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Hotel Fund					
Series 2010	160,000,000	-	-	160,000,000	-

Series 2010

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

5. LONG TERM OBLIGATIONS – CONTINUED

Arena Fund bonds outstanding at December 31, 2014 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Arena Fund					
First Lien Lease Revenue Bonds	9,500,000	-	(500,000)	9,000,000	-
Second Lien Lease Revenue Bonds	47,118,253	2,297,015	-	49,415,268	5,206,504
Total Arena Fund	56,618,253	2,297,015	(500,000)	58,415,268	5,206,504

2012 First Lien Arena Lease Revenue Bonds

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

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

2012 Second Lien Arena Lease Revenue Bonds

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

Beginning in calendar year 2013, the Authority began receiving a percentage of casino tax collections from the City and County. These collections will be used first to fund operations and capital improvements of the arena, and second to repay the loans noted above. If casino tax collections are insufficient, Nationwide has agreed to defer payments until revenues are available. There is no obligation on the part of the Authority to cover outstanding debt for the arena if casino tax collections prove inadequate. During the year, casino tax collections from the City and County were insufficient to pay the interest payment due to bondholder. In accordance with the bond agreement, $2,297,015 was added to the Authority's principal balance.

5. LONG TERM OBLIGATIONS – CONTINUED

Defeased Debt Outstanding

As noted above, the Authority has defeased various bond issues by creating separate irrevocable trust funds. When such debt has been issued, the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Authority's financial statements. As of December 31, 2014 the amount of defeased debt outstanding was $36,385,000 and the irrevocable trust account balance was $40,572,448.

Bond Principal and Interest Payments

Bonds mature on December 1. Interest on the term and serial bonds is payable semiannually on June 1 and December 1. Interest has been accrued on all bonds through December 31, 2014. 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, 2043. Principal and interest requirements to retire the Authority's bonds are as follows:

	Convention Center Fund		Hotel Fund		Arena Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 7,755,000	$ 12,612,105	$ -	$ 10,082,384	$ 5,206,504	$ 2,245,177
2016	9,302,000	12,431,183	2,365,000	10,082,384	-	2,245,177
2017	8,125,000	12,367,370	2,525,000	9,976,668	1,000,000	2,245,177
2018	11,180,000	12,176,420	2,690,000	9,857,741	1,000,000	2,235,177
2019	8,355,000	12,008,290	2,870,000	9,720,551	1,000,000	2,225,177
2020-2024	56,725,000	54,177,118	17,325,000	46,128,218	6,000,000	11,058,373
2025-2029	69,815,000	39,505,928	23,375,000	40,491,834	-	10,775,886
2030-2034	85,561,000	21,262,774	31,375,000	32,028,939	-	10,775,886
2035-2039	24,936,000	3,756,101	41,510,000	20,487,201	44,208,764	10,775,886
2040-2043	7,436,000	1,076,574	35,965,000	5,188,828	-	-
	$ 289,190,000	$ 181,373,863	$ 160,000,000	$ 194,044,748	$ 58,415,268	$ 54,581,916

6. RESTRICTED INVESTMENTS

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

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

Additionally, for the Convention Center Fund, in accordance with lease and sublease agreements between the Authority and the City of Columbus and Franklin County, the City and County will provide necessary funds for the payment of bond principal and interest if the rental reserve and debt service funds are depleted. These amounts are subject to annual appropriation by the City and County. As an additional precaution, the lease with the City and County provides for the application of Convention and Visitors Bureau Taxes levied and collected by the City to deficiencies in debt service payments after the rental reserve fund has been depleted. If after the application of foregoing amounts, additional amounts are required to meet the City's and the County's obligations under the lease, such amounts will be paid by the City and the County, in equal shares, from their general resources, provided that their respective legislative bodies have appropriated funds for such purpose.

Additionally, for the Hotel Fund, in accordance with the Cooperative Agreement among the Authority, Franklin County, and the City of Columbus, the County will provide necessary funds for the payment of bond principal and interest if the rental reserve and debt service funds are depleted. These amounts are subject to annual appropriation by the County. As an additional precaution, the Cooperative Agreement provides for the City to establish by January 1, 2012, a Parking Meter Contribution Fund with a balance of $1.4 million to assist with debt service payments if the rental reserve fund has been depleted.

The Hotel Cooperative Agreement also provides for the Authority to establish a Ground Lease Rents Fund with a balance equal to the value of ground lease rents received by the Authority during the previous year to assist with debt service payments if the rental reserve fund has been depleted. Both the Parking Meter Contribution Fund and the Ground Lease Fund will be used prior to use of the debt service reserve fund. Both funds are replenished annually to required balances if such funds are used for debt service.

For the Arena Fund, in accordance with the Arena Management Agreement, the Authority is required to maintain an Arena capital improvements fund. The Authority established the fund with $7,035,000 in 2012 and is required to make annual contributions to the fund of $1,071,225 beginning in 2013 and increasing such contributions by 3.5% annually through September 15, 2039. The fund shall be used for capital additions and/or improvements to the Arena. At year-end, the balance in this fund was $426,347. The entire balance is reported as Restricted Investments in the Statement of Net Position.

6. RESTRICTED INVESTMENTS - CONTINUED

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

	Convention Center Fund		Hotel Fund	
	Required Balance	Restricted Balance	Required Balance	Restricted Balance
Construction fund	$ 142,079,247	$ 142,079,247	$ -	$ -
Bond payment fund	10,962,491	10,962,491	9,494,658	9,494,658
Debt service reserve fund	19,997,975	20,101,947	6,391,264	6,438,081
Rental reserve fund	9,998,988	10,048,810	8,000,000	8,195,009
Operating reserve fund	-	-	2,400,000	2,400,000
FF&E reserve fund	-	-	497,024	497,024
Ground lease rents fund	-	-	1,524,144	1,524,144
Total	$ 183,038,701	$ 183,192,495	$ 28,307,090	$ 28,548,916

7. FACILITY OPERATOR AGREEMENTS

A. Convention Center

The management, operations and marketing of the Greater Columbus Convention Center (herein referred to as Convention Center) is facilitated through a Consulting, Marketing and Management Agreement with SMG. The main term of the current agreement commenced on January 1, 2012 and ends at midnight on December 31, 2014, unless earlier terminated pursuant to the provisions of the agreement. In accordance with the terms of the agreement, the Authority extended the term of the agreement on the same terms and conditions for an additional two–year period commencing January 1, 2015 and ending December 31, 2016 by giving written notice of such extension to SMG. At the end of the renewal term, the Authority has the option to extend the agreement for an additional three-year term with a two-year renewal term on the same terms and conditions as this agreement.

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

Bottom line performance of the Convention Center is incorporated annually into the Authority's basic financial statements as a reported change to gain/loss from center operations. The $2,636,042 receivable due to the Authority at year-end is comprised of the excess of revenues over expenses from Convention Center operations for the year ended December 31, 2014. During the fiscal year, SMG paid the Authority $887,367, primarily for amounts owed at December 31, 2013.

7. FACILITY OPERATOR AGREEMENTS – CONTINUED

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

Year	Fixed Fee
2012	2010 Base Fee under the 2006 Management Agreement as adjusted by change in CPI-U from January 1, 2011 through December 31, 2011.
2013-2016	Based upon prior year, as adjusted below by change in CPI-U

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

SMG is also entitled to annual quantitative and qualitative incentive fees, as defined, with respect to each calendar year. The quantitative incentive fee is based on the greater of 15% of the expense reduction, as defined, or 30% of any revenue increase, as defined. However, the quantitative incentive fee may not exceed 70% of the fixed fee payable as discussed above. The qualitative incentive fee cannot exceed 30% of the fixed fee payable as discussed above and is based on various defined criteria including but not limited to client satisfaction exit surveys, community involvement of operator personnel, quality maintenance and operation of the facilities and compliance with the terms of the management agreement. SMG's incentive fees during the calendar year were $307,764.

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

SMG is required to provide $90,000 annually to the facility for FF&E purchases and minor capital improvements. The ownership and title to the purchases and 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.

In 1998, Hyatt, a lessor, acquired a 50% ownership of SMG.

B. Hotel

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

7. FACILITY OPERATOR AGREEMENTS – CONTINUED

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

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

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

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

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

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

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

7. FACILITY OPERATOR AGREEMENTS

C. Arena

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

The Arena Management Agreement requires the Authority to provide a pre-determined annual funding amount to be used for Arena operational expenses. For calendar year 2014, the Authority contributed $4,080,043, and such funding will increase by 3.5% per year for the term of the agreement, which expires September 15, 2039.

8. VACATION, SICK AND PERSONAL LEAVE

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

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

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

	Beginning Balance	Earned	Used	Ending Balance	Due Within One Year
Fiscal Year 2014	$ 257,227	$ 133,585	$ (110,796)	$ 280,016	$ 172,192

9. RISK MANAGEMENT

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

10. OPERATING LEASES

On November 27, 1996 the Authority entered into a Master Lease Agreement with the City of Columbus (the "City") which created leasehold estate interests for certain property, plant, and equipment (the "South Facility"), the site of the Convention Center, and the Columbus Hotel Community Urban Redevelopment Corporation lease.

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

Columbus Hotel Community Urban Redevelopment Corporation

The Authority leases land to the Columbus Hotel Community Urban Redevelopment Corporation (the Hyatt) for a term that commenced on December 23, 1978 and ends on July 19, 2051, unless sooner terminated in accordance with the lease agreement. The Hyatt pays the Authority lease rent at the annual rate of $125,000. The Authority receives additional compensation from the Hyatt if the Hyatt meets certain targets for cash flow. Additional compensation for the calendar year was $740,825. SMG, the Authority's facility operator, also recorded revenues of $1,078,134 during the calendar year from Ohio Center Hotel Company, LTD. (an affiliate of Hyatt) for providing services consisting primarily of utilities, parking and meeting space rentals.

Drury Inns, Inc.

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

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

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

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

11. PENSION PLAN

Plan Description – All employees of the Authority are eligible to participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost sharing, multi-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-PERS (7377).

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. Members in the state and local divisions may participate in all three plans.

The Authority's 2014 member and employer contribution rates were 10% and 14%, respectively, of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2014, 2013, and 2012 were $90,996, $78,429, and $66,415, respectively. Required contributions are equal to 100% of the dollar amount billed.

12. OTHER POST-EMPLOYMENT BENEFITS

Plan Description **-** OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

12. OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The Ohio Revised Code permits, but does not mandate, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-PERS (7377).

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care coverage.

Employer contribution rates are expressed as a percentage of covered payroll of active members. In 2014, local employers contributed at a rate of 14% of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by OPERS' Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The rates stated above are the contractually required contribution rates for OPERS. The portion of the Authority's 2014, 2013, and 2012 required contributions that were used to fund post-employment benefits were $15,166, $6,033, and $18,975, respectively. 100 percent has been contributed for all three years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

13. JOINT VENTURE

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

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

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

For calendar year 2014, the Authority's required and actual annual funding amounts were as follows:

Description	Required Funding Amount	Actual Funding Amount
Operational Expenses	$ 4,080,043	$ 4,080,043
Land Lease Expense	165,000	165,000
Capital Improvements	2,036,693	250,041
Debt Service	2,387,529	-
Total Receipts from City and County:		$ 4,495,084

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

Operating surpluses in any fiscal year will be allocated (1) to reimburse extraordinary contributions from prior fiscal years; (2) to fund an operating reserve account to the target amount, currently $6 million; (3) to reimburse priority contributions from prior fiscal years; and (4) to the Authority for the purpose of the advancement and promotion of arena, convention facilities, and sports purposes in the Franklin County, Ohio area. At June 30, 2014 (most recent audited information available), CAM's operating reserve account balance was $1,593,771.

14. DISAGGREGATED PAYABLE BALANCES

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

Accrued Salaries Payable	$	28,892
Accrued Pension and Taxes Payable		19,818
Accrued Property Taxes Payable		24,006
Unearned Revenue - Land Lease		110,000
Accrued liabilities and other	$	182,716

15. INTERFUND ACTIVITY

Due to/from other funds – The outstanding balance between the Convention Center Fund and Arena Fund, totaling $11,250, represents a time lag between the date reimbursable expenses occur and payment between funds are made. This amount will be repaid by the Arena Fund in 2015.

Transfers - The Authority committed $15 million of unrestricted net position in the Convention Center Fund to various aspects of the Hotel Project. Interfund transfers in the amount of $2,716,156 from the Convention Center Fund to the Hotel Fund during the calendar year are the result of this commitment. In addition, the Authority transferred funds in the amount of $17,498 from the Convention Center Fund to the Arena Fund. This amounts represents expenses related to the Arena Fund that the Convention Center Fund does not expect to receive reimbursement.

16. CHANGES IN ACCOUNTING PRINCIPLES

For year ending December 31, 2014, the Authority has implemented the following:

GASB Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees" enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. This implementation of this statement did not have a significant effect on the financial statements of the Authority.

17. SUBSEQUENT EVENT

Series 2015 Refunding Bonds

On October 2, 2014, the Authority signed closing documents for the issuance of $56,150,000 of tax and lease revenue anticipation refunding bonds with a true cost of 2.95%, to advance refund $56,150,000 of outstanding 2005 bonds with a true interest cost of 3.65%. The refunding bonds are to be dated and delivered on October 15, 2015.

18. CONTRACTUAL COMMITMENTS

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

Goodale Street Parking Garage Project

Vendor	Contract	Contract Amount	Amount Outstanding
NBBJ	Design and Engineering Services	$ 1,113,000	$ 150,480
EMH&T	Survey/Geotech/Environmental Services	96,293	8,854
Igel Construction Company	Waterline Relocation	277,915	48,862
Smoot Construction	Construction Services	16,561,324	16,340,749
		$ 18,048,532	$ 16,548,945

Expansion and Renovation Project

Vendor	Contract	Contract Amount	Amount Outstanding
LMN Architects	Design Services	$ 8,948,726	$ 6,133,713
Jerome Scott	Design Services	48,400	8,764
		$ 8,997,126	$ 6,142,477

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

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

Franklin County Convention Facilities Authority
Franklin County
400 North High Street, 4th Floor
Columbus, OH 43215

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and each major fund of the Franklin County Convention Facilities Authority, Franklin County, Ohio, (the Authority) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 24, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 24, 2015

Dave Yost • Auditor of State

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 12, 2015