BASIC FINANCIAL STATEMENTS

of

The Franklin County Convention Facilities Authority

December 31, 2003

Auditor of State
Betty Montgomery

Board of Directors
The Franklin County Convention Facilities Authority

We have reviewed the Independent Auditor's Report of The Franklin County Convention Facilities Authority, Franklin County, prepared by Wilson, Shannon & Snow, Inc. for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 25, 2004

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of The Franklin County Convention Facilities Authority, Franklin County, Ohio (the Authority) as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2003 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, effective January 1, 2003, the Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements–and Management's Discussion and Analysis – for State and Local Governments,* GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Omnibus, an amendment of GASB Statements No. 21 and No. 34,*and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.*

In accordance with *Government Auditing Standard*s, we have also issued a report dated April 30, 2004 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
April 30, 2004

Management Discussion and Analysis

The following Management Discussion and Analysis (MD&A) provides an overview of the financial performance of the Franklin County Convention Facilities Authority (herein referred to as Authority) and provides an introduction to the Authority's financial statements for year ended December 31, 2003. The information contained in this MD&A should be considered in conjunction with information presented in the Authority's financial statements and corresponding notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

FINANCIAL POSITION OF THE AUTHORITY

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

	Operating Fund			Capital Fund		
	2002	2003	Increase (Decrease) over/ (under) 2002	2002	2003	Increase (Decrease) over/ (under) 2002
Current and other assets	$ 2,529,166	$ 2,364,169	$ (164,997)	$ 27,734,088	$ 27,486,885	$ (247,203)
Capital assets, Net	9,089	7,272	(1,817)	192,550,476	185,356,887	(7,193,589)
Total assets	2,538,255	2,371,441	(166,814)	220,284,564	212,843,772	(7,440,792)
Long-term debt outstanding	-	-	-	159,981,926	155,568,207	(4,413,719)
Other liabilities	134,675	136,595	1,920	1,826,454	876,125	(950,329)
Total liabilities	134,675	136,595	1,920	161,808,380	156,444,332	(5,364,048)
Net assets - invested in capital assets, net of related debt	9,089	7,272	(1,817)	32,568,550	29,788,680	(2,779,870)
Restricted for debt service	234,113	205,688	(28,425)	21,529,461	21,471,773	(57,688)
Unrestricted	2,160,378	2,021,886	(138,492)	4,378,173	5,138,987	760,814
Total net assets	**$ 2,403,580**	**$ 2,234,846**	**$ (168,734)**	**$ 58,476,184**	**$ 56,399,440**	**$ (2,076,744)**

The Authority's total assets (both funds combined) exceeded total liabilities by $58.6 million at December 31, 2003. A large portion of net assets, $29.8 million at December 31, 2003, represents the Authority's investment in capital assets, less the related debt outstanding used to acquire those capital assets. These capital assets are property, facilities, equipment and related items that have been invested in to support the initial construction of and continual expansion of Greater Columbus Convention Center. Although the Authority's investment in capital assets is reported net of debt, it is noted that the resources needed to repay the debt is provided annually from collection of hotel/motel excise taxes, since capital assets themselves cannot be used to liquidate liabilities.

An additional portion of net assets, $21.7 million at December 31, 2003, is subject to restrictions as set forth in the Authority's Bond Indenture. These assets are not available for new spending, as the majority of these assets are held in reserve to meet debt service requirements should other revenue sources prove inadequate.

The remaining unrestricted net assets of $7.2 million may be used to meet any of the Authority's ongoing obligations. The Authority anticipates that these resources will be used to support future capital expenditures.

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

	Operating Fund			Capital Fund		
	2002	2003	Increase (Decrease) over/ (under) 2002	2002	2003	Increase (Decrease) over/ (under) 2002
Operating Revenues						
Lease Rent	$ -	$ -	$ -	$ 1,075,997	$ 1,313,674	$ 237,677
Center Operations	274,279	-	(274,279)	-	-	-
Miscellaneous	12,854	-	(12,854)	18,542	1,558	(16,984)
Total Operating Revenues	287,133	-	(287,133)	1,094,539	1,315,232	220,693
Operating Expenses						
Salary and other payroll expenses	337,414	321,835	(15,579)	-	-	-
Professional fees	184,606	85,599	(99,007)	-	-	-
Center Operations	-	16,922	16,922	-	-	-
Insurance	344,674	469,381	124,707	51,379	54,260	2,881
Miscellaneous	110,119	161,930	51,811	-	-	-
Total Operating Expenses	976,813	1,055,667	78,854	51,379	54,260	2,881
Operating (loss) income before depreciation	**(689,680)**	**(1,055,667)**	**(365,987)**	**1,043,160**	**1,260,972**	**217,812**
Depreciation	(1,817)	(1,817)	-	(8,914,889)	(7,561,963)	1,352,926
Operating (loss) before nonoperating revenues (expenses)	(691,497)	(1,057,484)	(365,987)	(7,871,729)	(6,300,991)	1,570,738
NonOperating Revenues (Expenses)						
Hotel/motel excise tax	105,372	878,987	773,615	12,826,159	12,361,880	(464,279)
Interest Earnings	51,918	10,612	(41,306)	903,890	425,943	(477,947)
Interest Expense	-	-	-	(9,616,956)	(8,564,425)	1,052,531
Transfers in (out)	(1,499,350)	(849)	1,498,501	1,499,350	849	(1,498,501)
Total NonOperating Revenues	(1,342,060)	888,750	2,230,810	5,612,443	4,224,247	(1,388,196)
Change in net assets	(2,033,557)	(168,734)	1,864,823	(2,259,286)	(2,076,744)	182,542
Total net assets - beginning	4,437,137	2,403,580	(2,033,557)	60,735,470	58,476,184	(2,259,286)
Total net assets - ending	**$ 2,403,580**	**$ 2,234,846**	**$ (168,734)**	**$ 58,476,184**	**$ 56,399,440**	**$ (2,076,744)**

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

- Lease rent is annual lease payments received for the use of property owned or leased by the Authority. Prior to 2003, the Authority managed two such lease agreements; one with the Hyatt Regency Hotel connected to the convention center, and the second with Nationwide Arena. Beginning in 2003, the Authority received revenue from a new lease agreement with Drury Inn. In all three agreements, lease payments include both a fixed lease payment which is consistent from year to year and a performance based lease payment which may be variable based upon the financial success of either the hotels or the arena. In 2003, lease rent increased by $237,677 or 22.1 percent due to the inclusion of revenue received from the new hotel as well as increased revenue from the Hyatt due to the improved financial performance of the 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 expenditures associated with operating the facility. Bottom line performance of the convention center is recorded as either a revenue to or expense from the operating fund; depending upon the reported success of operating the convention center in any given year. In 2003, convention center operations ended the year with a slight deficit of $16,922 primarily due to increased expenses for marketing. Even with this slight deficit in 2003, the outstanding receivable due from convention center operations for the years ended December 31, 1993 through December 31, 2003 is $922,477.

- Insurance is a major expense for the operating fund. Included in this line item are costs associated with purchasing property, general liability, umbrella and public official's liability insurance. In 2003, this expense increased by $124,707 or 36.2 percent due to the added costs of terrorism coverage and property insurance, both reflective of changes in the industry.

- Excluding insurance, all other operating expenses of the Authority decreased by $62,775 or 10.0 percent in 2003.

- The Authority levies a 4.0 percent countywide bed tax on occupied hotel/motel rooms and an additional 0.9 percent bed tax on City of Columbus occupied hotel/motel rooms. Revenue collected from this excise tax as well as earnings from investments are first used to pay for annual debt service obligations of the Authority. Revenues and earnings in excess of debt service obligations are deposited into the operating fund. In 2003, hotel/motel tax collections increased by $309,336 or 2.5 percent. Deposit of hotel/motel tax revenue into the operating fund increased by $773,615 as less tax revenue was needed during 2003 to meet debt service obligations.

- Interest earnings mainly acquired through investment of reserve funds decreased in 2003 by $519,253 or 53.7 percent. This reduction is the result of the market decline in available yields for investments.

- The Authority took advantage of low interest rates and in the fall of 2002 refunded bonds sold in 1992. The benefits of this refunding were significant with savings exceeding $10.7 million over the term of the bond. Average annual savings in debt service equaled $595,438. A portion of the reduction in interest expense for 2003 is reflective of this savings.

CAPITAL ASSETS

At the end of fiscal year 2003, the Authority had $185,364,159 (net of accumulated depreciation) invested in total capital assets. This investment in capital assets includes land, a 900 car parking facility and 500 car underground parking garage, a convention center with over 430,000 square feet of exhibit hall space, three large ballrooms, and related meeting and back of house space, and supporting furniture, fixtures and equipment. The following table identifies 2003 assets and compares these assets with assets listed in 2002.

	Operating Fund			Capital Fund		
	2002	2003	Increase (Decrease) over/ (under) 2002	2002	2003	Increase (Decrease) over/ (under) 2002
Non-Depreciable Capital Assets						
Land	$ -	$ -	$ -	$ 32,428,682	$ 32,428,682	$ -
Depreciable Capital Assets						
Building and improvements	-	-	-	193,881,687	193,475,851	(405,836)
Major building equipment	-	-	-	9,414,616	9,381,154	(33,462)
Parking lot	-	-	-	1,144,557	1,144,557	-
Equipment and furnishings	33,045	33,045	-	4,589,651	5,249,629	659,978
Improvement other than building	-	-	-	1,478,382	1,552,245	73,863
Construction in progress	-	-	-	15,780	27,307	11,527
Total Depreciable Capital Assets	33,045	33,045	-	210,524,673	210,830,743	306,070
Total Capital Assets	33,044	33,045	-	242,953,355	243,259,425	306,070
Less accumulated depreciation	(23,955)	(25,773)	(1,817)	(50,402,879)	(57,902,538)	(7,499,659)
Capital assets, net	**$ 9,089**	**$ 7,272**	**$ (1,817)**	**$ 192,550,476**	**$ 185,356,887**	**$ (7,193,589)**

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

The primary change in capital assets was the current year depreciation expense of $7,499,659 coupled with additions and improvements of $357,406 and net disposals of $62,862.

DEBT ADMINISTRATION

At December 31, 2003, the Authority had $155.6 million in bonds outstanding of which $6,250,000 is due within fiscal year 2004. Interest on the term and serial bonds is payable semiannually on June 1 and December 1. Interest is accreted on the zero coupon bonds semiannually on June 1 and December 1. Interest has been accrued on all bonds through December 31, 2003. Bonds mature on December 1st in the years as set forth.

The following summarizes the Authority's debt outstanding as of year end 2003 and 2002.

Type	Interest Rate	Maturity	Amount 2002	Amount 2003	Amount Increase (Decrease) over/ (under) 2002
Refunded Term/Series 97	5.0%	2013 and 2027	$ 61,600,000	$ 61,600,000	$ -
Refunded Series/97	4.3% to 5.0%	2003 to 2012	19,380,000	17,820,000	(1,560,000)
Refunded Series/02	2.5% to 5.25%	2003 to 2019	54,405,000	54,130,000	(275,000)
Zero Coupon		2002 to 2010	34,840,000	30,485,000	(4,355,000)
Total			170,225,000	164,035,000	(6,190,000)
Less:					
Unamortized discount			(5,701,601)	(4,191,990)	1,509,611
Unamortized issuance costs			(329,569)	(309,772)	19,797
Unamortized deferred loss			(4,211,904)	(3,965,031)	246,873
Total			**$ 159,981,926**	**$ 155,568,207**	**$ (4,413,719)**

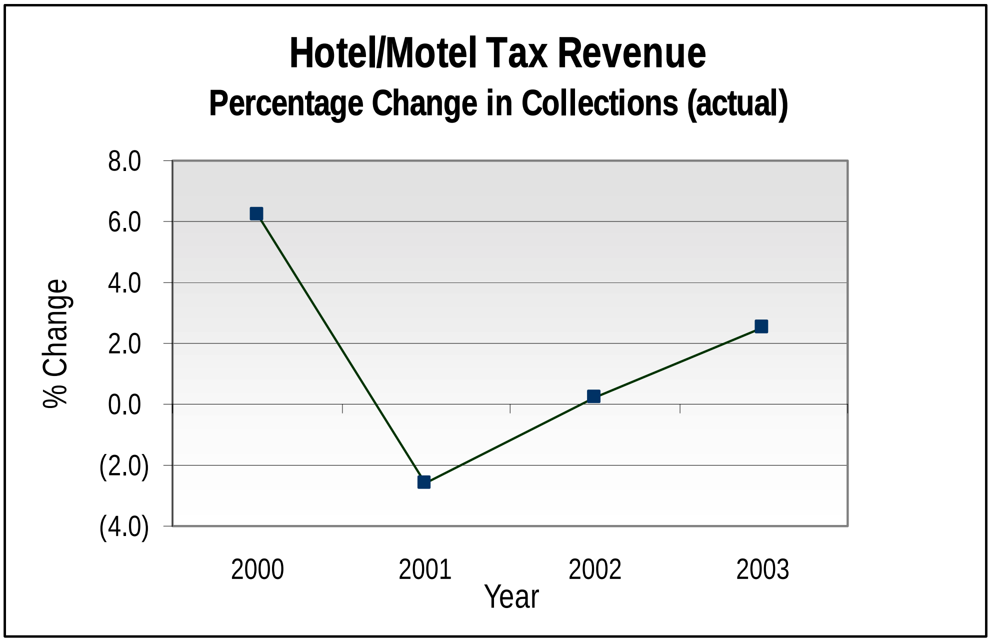
Annual debt service requirements are met through the collection of hotel/motel excise taxes. The Bond Indenture requires that proceeds from the hotel/motel excise tax as well as from earnings received through investments must first be used to meet annual debt service obligations. Only after these obligations are met can tax proceeds and investment earnings be used to offset on-going improvements to and operations of the convention center.

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

	2003 Reserve Balances	2003 Required Balances
Debt service fund	$ 1,081,367	$ 1,081,205
Debt service reserve fund	13,593,612	13,582,250
Rental reserve fund	6,796,794	6,791,125
Total	**$ 21,471,773**	**$ 21,454,580**

ECONOMIC FACTORS

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



The impact of reduced growth in hotel/motel tax revenue on the Authority has been minimal. Even with reduced levels of hotel/motel revenue, the Authority has been able to meet all debt service obligations without using reserve funds. The slowed growth in tax revenue has impacted the growth in unrestricted assets as reduced revenues have decreased the amount of excess hotel/motel tax revenue available for other expenses. This too is anticipated to be short term, as improved tax collections will again increase the availability of resources to the Authority. This shift has already started as unrestricted assets increased by over $650,000 in 2003.

The convention center also has seen a change in the types of events held in the facility since 2001. Corporate travel was down as businesses streamlined the number and size of conventions. On the other hand, the convention center has been able to off-set this reduction by an increase in short term events held in the center. In addition, the convention center has and continues to host several regional and state conferences and trade shows that were not as impacted as national conferences by the slowing economy. As a result, the convention center has remained self-sustaining during this period. While the convention center ended 2003 with a slight deficit, events currently booked for 2004 and beyond suggest that the center will again be self-sustaining in 2004 and will remain so in future years.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances and to show accountability for money received by the Authority. For questions or for additional information regarding this report, write to the Franklin County Convention Facilities Authority, 400 North High Street, 4th Floor, Columbus, Ohio 43215 or contact Maria Mercurio, Finance Director, at 614.827.2805 or mcmfccfa@aol.com.

THE FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31,2003

	Business-type Activities - Enterprise Funds		
	Operating Fund	Capital Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 40,651	$ 93,849	$ 134,500
Investments	1,259,208	1,955,217	3,214,425
Hotel/motel excise tax receivable	-	1,804,756	1,804,756
Lease receivable	-	976,174	976,174
Interest receivable	-	132,498	132,498
SMG receivable	922,477	-	922,477
Prepaid items	141,833	978,141	1,119,974
Total current assets	2,364,169	5,940,635	8,304,804
Noncurrent assets:			
Restricted bond covenant accounts	-	21,489,937	21,489,937
Capital Assets, Net	7,272	185,356,887	185,364,159
Funds held in escrow	-	56,313	56,313
Total noncurrent assets	7,272	206,903,137	206,910,409
Total assets	2,371,441	212,843,772	215,215,213
LIABILITIES			
Current liabilities:			
Accounts payable	12,415	158,870	171,285
Interest Payable	-	560,942	560,942
Accrued liabilities and other	124,180	100,000	224,180
Bonds Payable	-	6,250,000	6,250,000
Total current liabilities	136,595	7,069,812	7,206,407
Noncurrent liabilities:			
Bonds payable, net	-	149,318,207	149,318,207
Arbitrage rebate escrow	-	56,313	56,313
Total noncurrent liabilities	-	149,374,520	149,374,520
Total liabilities	136,595	156,444,332	156,580,927
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,272	29,788,680	29,795,952
Restricted for debt service	205,688	21,471,773	21,677,461
Unrestricted	2,021,886	5,138,987	7,160,873
Total net assets	$ 2,234,846	$ 56,399,440	$ 58,634,286

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

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

	Business-type Activities - Enterprise Funds		
	Operating Fund	Capital Fund	Total
OPERATING REVENUES:			
Lease rent	$ -	$ 1,313,674	$ 1,313,674
Miscellaneous	-	1,558	1,558
Total operating revenues	-	1,315,232	1,315,232
OPERATING EXPENSES:			
Salary and leave	263,138	-	263,138
Professional fees	85,599	-	85,599
Center operations	16,922	-	16,922
Insurance	469,381	54,260	523,641
Retirement and payroll taxes	58,697	-	58,697
Rent	1,161	-	1,161
Advertising	269	-	269
Travel	6,000	-	6,000
Office	7,715	-	7,715
Telephone	1,455	-	1,455
Property tax	7,389	-	7,389
Miscellaneous	137,941	-	137,941
Total operating expenses	1,055,667	54,260	1,109,927
Operating (Loss) Income Before Depreciation	(1,055,667)	1,260,972	205,305
Depreciation	1,817	7,561,963	7,563,780
Operating (Loss) Before Non-Operating Income and Expenses	(1,057,484)	(6,300,991)	(7,358,475)
NONOPERATING REVENUES (EXPENSES)			
Hotel/motel excise tax	878,987	12,361,880	13,240,867
Interest earnings	10,612	425,943	436,555
Interest expense	-	(8,564,425)	(8,564,425)
Total nonoperating revenue	889,599	4,223,398	5,112,997
Loss before transfers	(167,885)	(2,077,593)	(2,245,478)
Transfers in	-	849	849
Transfers out	(849)	-	(849)
Change in net assets	(168,734)	(2,076,744)	(2,245,478)
Total net assets - beginning (as restated)	2,403,580	58,476,184	60,879,764
Total net assets - ending	$ 2,234,846	$ 56,399,440	$ 58,634,286

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

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

	Business-type Activities - Enterprise Funds		
	Operating Fund	Capital Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from leases	$ -	$ 1,169,477	$ 1,169,477
Payments for professional services and operations	(748,120)	-	(748,120)
Payments to employees	(256,599)	-	(256,599)
Payments for retirement and payroll taxes	(58,132)	-	(58,132)
Net cash provided (used) by operating activities	(1,062,851)	1,169,477	106,626
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Hotel\motel excise taxes received	878,987	12,405,539	13,284,526
Transfers in (out)	(849)	849	-
Net cash provided by noncapital financing activities	878,138	12,406,388	13,284,526
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(472,719)	(472,719)
Proceeds from the sale of capital assets		2,116	2,116
Cash paid for construction of a roadway	-	(75,000)	(75,000)
Cash paid on bond interest		(7,025,179)	(7,025,179)
Cash paid on bond principal	-	(6,190,000)	(6,190,000)
Cash paid to government agency	-	(558,749)	(558,749)
Net cash used in capital and related financing activities	-	(14,319,531)	(14,319,531)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from investments	10,612	293,445	304,057
Net cash provided by investing activities	160,488	177,190	337,678
Net cash provided by investing activities	171,100	470,635	641,735
Net decrease in cash and cash equivalents	(13,613)	(273,031)	(286,644)
Cash - January 1	54,264	366,880	421,144
Cash - December 31	$ 40,651	$ 93,849	$ 134,500
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating loss	$ (1,057,484)	$ (6,300,991)	$ (7,358,475)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,817	7,561,963	7,563,780
Gain on the sale of assets	-	(1,558)	(1,558)
(Increase) in lease receivable	-	(144,197)	(144,197)
Decrease in SMG receivable	16,922	-	16,922
(Increase) decrease in prepaid expenses and other	(26,028)	30,018	3,990
(Decrease) in accounts payable	(9,317)	-	(9,317)
Increase (decrease) in accrued liabilities and other	11,239	24,242	35,481
Total adjustments	(5,367)	7,470,468	7,465,101
Net cash provided (used) by operating activities	$ (1,062,851)	$ 1,169,477	$ 106,626
Noncash financing activities:			
Net amortization and accretion related to the capital debt		$ 1,771,663	

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

1. DESCRIPTION OF ENTITY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Effective January 1, 2003, the Authority implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*, and Statement No. 38, *Certain Financial Statement Disclosures*. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. The Authority now follows the business-type activities reporting requirements of GASB Statement No. 34. In accordance with GASB Statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

The principal operating revenues of the operating fund is the net income received from the management company responsible for running the day-to-day operations of the facility. The principal operating revenue in the capital fund is generated from the land lease agreements. Operating expenses for the enterprise funds include administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government'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 principals of "Fund Accounting" in order to reflect limitations and restrictions placed on the use of available resources. The following proprietary fund types are used by the Authority:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

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

***Net Assets* –** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Newly Issued Accounting Pronouncements – GASB recently issued Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3).* This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued byrating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The Authority has not determined the impact, if any, this statement will have on its financial statement disclosures.

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

3. RESTATEMENT OF NET ASSETS

Adjustments were made to the beginning net asset balance in the capital fund to reclassify $29,997,684 of contributed capital into total net assets.

4. CASH AND INVESTMENTS

Ohio law requires the classification of funds held by the Authority into three categories.

Category 1 consists of "active" funds – those funds required to be kept in a "cash" or "cash equivalent" status for immediate use by the Authority. Such funds must be maintained either as cash in the Authority's treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds – those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

4. CASH AND INVESTMENTS - CONTINUED

Category 3 consists of “interim” funds – those funds which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

- Interim deposits are eligible institutions applying for interim funds;

- Bonds and other obligations of the State of Ohio;

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

- The State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments in the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on December 31, 2003.

4. CASH AND INVESTMENTS - CONTINUED

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. Based on criteria described in GASB Statement No. 3 "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*", collateral held in single financial collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

Category 1 Insured or collateralized with securities held by the Authority or by its agent in the in the Authority's name.

Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3 Uncollateralized or collateralized with securities held by the pledging financial Institution's trust department or agent but not in the Authority's name.

Investments:

Category 1 Insured or registered, or securities held by the Authority or its agent in the Authority's name.

Category 2 Uninsured and unregistered, with securities held by counterparty's trust department or agent in the Authority's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

Deposits **–** At December 31, 2003, the carrying amount of the Authority's deposits were $134,500, and the bank balances were $145,282. All bank balances were covered by Federal depository insurance at December 31, 2003.

4. CASH AND INVESTMENTS - CONTINUED

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

	2003 Fair Value	
	Operating Fund	Capital Fund
STAROhio	$1,259,208	$23,445,154

STAROhio investments do not have to be categorized for GASB No. 3 purposes.

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

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

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5. CAPITAL ASSETS

Operating Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Equipment & Furnishings	$ 33,044	$ -	$ -	$ 33,044
Total capital assets, being depreciated	33,044	-	-	33,044
Less accumulated depreciation for:				
Equipment & Furnishings	(23,955)	(1,817)	-	(25,772)
Total accumulated depreciation	(23,955)	(1,817)	-	(25,772)
Total capital assets, being depreciated, net	9,089	(1,817)	-	7,272
Total capital assets, net	$ 9,089	$ (1,817)	$ -	$ 7,272
Capital Fund				
Capital assets, not being depreciated:				
Land	$ 32,428,682	$ -	$ -	$ 32,428,682
Construction in progress	15,780	11,527	-	27,307
Total capital assets, not being depreciated	32,444,462	11,527	-	32,455,989
Capital assets, being depreciated:				
Buildings & Improvements	193,272,891	202,960	-	193,475,851
Improv. Other Than Buildings	1,478,382	73,863	-	1,552,245
Major Building Equipment	9,414,616	-	(33,462)	9,381,154
Parking Lot	1,144,558	-	-	1,144,558
Equipment & Furnishings	5,198,447	80,582	(29,400)	5,249,629
Total capital assets, being depreciated	210,508,894	357,405	(62,862)	210,803,437
Less accumulated depreciation for:				
Buildings & Improvements	(36,971,165)	(6,974,287)	-	(43,945,452)
Improv. Other Than Buildings	(235,899)	(76,737)	-	(312,636)
Major Building Equipment	(9,138,828)	(244,136)	32,904	(9,350,060)
Parking Lot	(369,596)	(28,614)	-	(398,210)
Equipment & Furnishings	(3,687,392)	(238,189)	29,400	(3,896,181)
Total accumulated depreciation	(50,402,880)	(7,561,963)	62,304	(57,902,539)
Total capital assets, being depreciated, net	$ 160,106,014	$ (7,204,558)	$ (558)	$ 152,900,898
Total capital assets, net	$ 192,550,476	$ (7,193,031)	$ (558)	$ 185,356,887

6. LONG TERM OBLIGATIONS

A. Bonds outstanding at December 31, 2003 are as follows:

Type	Interest Rate	Maturity
Refunded Term/ Seriest 97	5%	2013 and 2027
Refunded Serial/97	4.3% to 5%	2003 to 2012
Refunded Serial/02	2.5% to 5.25%	2003 to 2019
Zero Coupon	-	2002 to 2010

	Balance 12/31/2002	Additions	Reductions	Balance 12/31/2003	Due Within One Year
Refunded Term/ Seriest 97	$ 61,600,000	$ -	$ -	$ 61,600,000	$ -
Refunded Serial/97	19,380,000	-	(1,560,000)	17,820,000	1,630,000
Refunded Serial/02	54,405,000	-	(275,000)	54,130,000	265,000
Zero Coupon	34,840,000	-	(4,355,000)	30,485,000	4,355,000
Total	170,225,000	-	(6,190,000)	164,035,000	6,250,000
Less:					
Unamortized discount	(5,701,601)	1,509,611	-	(4,191,990)	
Unamortized insurance costs	(329,569)	19,797	-	(309,772)	
Unamortized deferred loss	(4,211,904)	246,873	-	(3,965,031)	
	(10,243,074)	1,776,281	-	(8,466,793)	
Total Debt less amortization	$ 159,981,926	$ 1,776,281	$ (6,190,000)	$ 155,568,207	

Interest on the term and serial bonds is payable semiannually on June 1 and December 1. Interest is accreted on the zero coupon bonds semiannually on June 1 and December 1, to provide yields of 7.05% to 7.15% at maturity. Interest has been accrued on all bonds through December 31, 2003. Bonds mature on December 1 in the years set forth above.

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

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

6. LONG TERM OBLIGATIONS - CONTINUED

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

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

B. The principal and interest payment obligations related to all bond indebtedness for the five-year period commencing January 1, 2004 and thereafter, including the effect of the refunding, are as follows:

	Principal	Interest
2004	$ 6,250,000	$ 6,724,426
2005	6,325,000	6,646,081
2006	6,405,000	6,564,531
2007	6,510,000	6,460,181
2008	6,625,000	6,348,781
2009-2013	35,620,000	29,386,863
2014-2018	44,705,000	20,154,625
2019-2023	33,380,000	8,561,500
2024-2027	18,215,000	2,332,250
	$164,035,000	$93,179,238

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

6. LONG TERM OBLIGATIONS - CONTINUED

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

7. DEBT SERVICE RESERVES

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

	2003	
	Reserve Balance	**Required Balance**
Debt service fund	$ 1,081,367	$ 1,081,205
Debt service reserve fund	13,593,612	13,582,250
Rental reserve fund	6,796,794	6,791,125
Total	$21,471,773	$ 21,454,580

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

In addition, during 2003 the Authority applied for a $132,498 refund related to the arbitrage calculation peformed for the period June 21, 1990 to June 21, 1995 (the “Initial Computation Period). As of December 31, 2003, the Authority has not received this rebate and has set up a receivable for the amount due.

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

8. CONTRIBUTED CAPITAL AND AREANA LAND OPTION AGREEMENT

As described in Note 2 to the financial statements, contributed capital in the amount of $29,997,684 was recast as a component of Net Assets as of January 1, 2003 in compliance with the requirements of GASB Statement No. 34.

The Authority has a total of approximately 10.2 acres of land ("arena land") which can be purchased by Nationwide Arena LLN ("Nationwide") and Nationwide Realty Investors, Ltd. ("NRI") for $10 million and the relinquishment of the contributed capital given for land acquisition (credit), adjusted for CPI at the time of purchase of the land. Arena land includes property received from the City of Columbus for corresponding vacated street right of ways. Capitol South Community Urban Redevelopment Corporation ("Capitol South"), a not-for-profit corporation, leases this land from the Authority, and subleases the arena land to Nationwide who constructed a multi-purpose arena and related facilities pursuant to terms of an Option Agreement between the Authority, Nationwide and NRI dated December 17, 1998 and related amendments. The lease with Capitol South commenced December 1998. Rent commenced of September 7, 2000 for a term of 40 years. Base rent equals $150,000 a year for years 1 – 10, $165,000 a year for years 11 – 25 and $165,000 plus inflation thereafter. Additional rent as defined is also due. Rental revenue earned related to this lease was $150,000 during the period ended December 31, 2003. Contributed capital from Capitol South of $1,438,722 and $283,855 was received during 1998 and 1999, respectively, in the form of cash for arena land acquisition. These payments provided a credit for future arena land purchases by Nationwide of $1,722,577.

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

9. CONTRIBUTION FOR THE CONSTRUCTION OF ROADWAY

Nationwide Realty Investors, Ltd., as developer and agent for Nationwide Arena, LLC, and the City of Columbus have entered into the Capital Improvements Project Reimbursement Agreement for Neil Avenue Capital Improvements Project. As part of the agreement regarding the construction of Convention Center Way, which is a component of the work under the Neil Avenue agreement, the Authority agreed to pay for $400,000 of the cost to design and construct the roadway with $325,000 paid through December 31, 2003 and $75,000 being due on September 1, 2004.

10. FACILITY OPERATOR AGREEMENTS

The management, operations and marketing of the Greater Columbus Convention Center (herein referred to as convention center) is facilitated through a Management Agreement with SMG. The current Management Agreement is effective through December 31, 2004 with an option to renew through December 31, 2006. As part of this Management Agreement, SMG is responsible for the financial activity of the convention center. SMG financially manages all revenues collected by the convention center from rental income; income from food and beverage sales; retail mall and food court lease income and revenue received from the operation of parking lots. In turn, SMG utilizes these revenues to pay for expenditures associated with operating the facility, i.e., salaries of permanent and temporary staff who orchestrate events and handle administrative functions; utility expenses; the promotion and advertising of the convention center; and general facility maintenance and repair expenses.

Financial activity of the convention center is annually audited and reviewed.

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

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

2002	$250,000
2003	Based upon prior year adjusted for CPI as defined
2004	Based upon prior year adjusted for CPI as defined

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

10. FACILITY OPERATOR AGREEMENTS - CONTINUED

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

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

On March 31, 1997, the Authority and SMG entered into a Marquee and Advertising Rights Agreement whereby SMG will provide a capital contribution up to $300,000 for Marquee systems (as defined) in exchange for exclusive rights to provide advertising on these systems. Advertising income generated will be remitted 100% to SMG up to its capital contribution and 50% to SMG, 50% to the Authority thereafter. No income has been earned or remitted to the Authority under this agreement as of December 31, 2003.

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

11. CONVENTION FACILITIES TRANSFER AGREEMENT

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

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

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

12. VACATION, SICK LEAVE AND PERSONAL LEAVE

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

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

13. RETIREMENT PLAN

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

Funding Policy **–** The Authority and covered employees contribute at actuarially determined rates for 2003, 13.55% and 8.5%, respectively, of covered employee payroll to PERS. The Authority's contributions to PERS for the years ended December 31, 2003, 2002, and 2001 were $33,273, $34,234, and $35,209, respectively. The employees' contributions to PERS for the years ended December 31, 2003, 2002, and 2001 were $20,872, $21,412, and $22,087, respectively. Required contributions are equal to 100% of the dollar amount billed. The Board of the Authority has elected to pay the employees portion of PERS.

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

A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The portion of the employer contribution rate used to fund health care for 2003 was 5.0 percent of covered payroll. During 2003, $12,315 of the Authority's total contribution to PERS was used for postretirement benefits.

13. RETIREMENT PLAN - CONTINUED

Benefits are advance-funded on an actuarially determined basis. The number of active contributing participants was 402,041 at December 31, 2002 (latest information available). The actuarial value of the Retirement System's net assets available for benefits at December 31, 2002 was $11.6 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $16.4 billion and $4.8 billion, respectively.

14. RISK MANAGEMENT

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

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

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

We have audited the basic financial statements of the Franklin County Convention Facilities Authority, Franklin County, Ohio (the "Authority") as of and for the year ended December 31, 2003 and have issued our report thereon dated April 30, 2004 wherein we noted the Authority adopted GASB Statement No. 34, GASB Statement No. 37, and GASB Statement No. 38. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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FAX (740) 345-5635

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
April 30, 2004

Auditor of State
Betty Montgomery

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P.O. Box 1140
Columbus, Ohio 43216-1140

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THE FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 10, 2004