AUDITED BASIC FINANCIAL STATEMENTS

of the

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY

FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2005

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Franklin County Convention Facilities Authority, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 17, 2007

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FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
FRANKLIN COUNTY

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Board of Directors
The Franklin County Convention Facilities Authority
400 North High Street
Columbus, Ohio 43215

INDEPENDENT AUDITORS' REPORT

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 years ended December 31, 2006 and 2005, that comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2006 and 2005, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*s, we have also issued a report dated April 9, 2007 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 agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 accounting principles generally accepted in the United States of America. 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 9, 2007

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the Franklin County Convention Facilities Authority (the Authority) and provides an introduction to the Authority's basic financial statements for years ended December 31, 2006 and 2005. 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 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 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 the notes, which are essential to a full understanding of the data contained in the basic financial statements. All basic financial statements include prior year data for comparison. The basic financial statements for the Authority are the following:

- Statements of Net Assets – These statements present information on all the Authority's assets and liabilities, with the difference between the two reported as net assets.

- Statements of Revenues, Expenses and Changes in Net Assets - These statements show how the Authority's net assets have changed during the most recent year. This includes revenues, expenses, non-operating revenue and non operating expenses for the Authority.

- Statements of Cash Flow – These statements report 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 provided by (used for) operating acitvities 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			
	2004	2005	2006	Increase (Decrease) over/ (under) 2005	2004	2005	2006	Increase (Decrease) over/ (under) 2005
Current and other assets	$2,174,046	$5,593,115	$9,287,220	$3,694,105	$27,407,688	$26,532,234	$28,538,902	$2,006,668
Capital assets, Net	5,454	3,635	1,818	(1,817)	178,978,319	172,887,765	166,510,283	(6,377,482)
Total assets	2,179,500	5,596,750	9,289,038	3,692,288	206,386,007	199,419,999	195,049,185	(4,370,814)
Long-term debt outstanding	—	—	—	—	150,917,169	146,109,596	140,799,873	(5,309,723)
Other liabilities	140,963	160,918	210,392	49,474	886,905	788,664	1,021,351	232,687
Total liabilities	140,963	160,918	210,392	49,474	151,804,074	146,898,260	141,821,224	(5,077,036)
Net assets - invested in capital assets, net of related debt	5,454	3,635	1,818	(1,817)	28,061,150	26,778,169	17,172,469	(9,605,700)
Restricted for debt service	128,315	142,110	143,663	1,553	21,456,821	20,274,404	20,271,375	(3,029)
Unrestricted	1,904,768	5,290,087	8,933,165	3,643,078	5,063,962	5,469,166	15,784,117	10,314,951
Total net assets	$2,038,537	$5,435,832	$9,078,646	$3,642,814	$54,581,933	$52,521,739	$53,227,961	$706,222

The Authority's total assets (both funds combined) exceeded total liabilities by $62.3 million at December 31, 2006. A large portion of net assets, $17.2 million at December 31, 2006, 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 the 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, $20.4 million at December 31, 2006, 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 $24.7 million may, in part, 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.

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Unaudited)

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

	Operating Fund				Capital Fund			
	2004	2005	2006	Increase (Decrease) over/ (under) 2005	2004	2005	2006	Increase (Decrease) over/ (under) 2005
Operating Revenues								
Lease Rent	$ —	$ —	$ —	$ —	$892,771	$1,476,681	$1,720,039	$243,358
Center Operations	8,910	391,849	447,900	56,051	—	—	—	—
Miscellaneous	—	2,659	—	(2,659)	—	—	—	—
Total Operating Revenues	8,910	394,508	447,900	53,392	892,771	1,476,681	1,720,039	243,358
Operating Expenses								
Salary and other payroll expenses	348,614	370,681	441,651	70,970	—	—	—	—
Professional fees	57,235	65,226	75,557	10,331	—	—	—	—
Insurance	459,489	367,197	340,556	(26,641)	54,260	58,144	61,205	3,061
Miscellaneous	132,762	160,325	201,624	41,299	—	—	—	—
Total Operating Expenses	998,100	963,429	1,059,388	95,959	54,260	58,144	61,205	3,061
Operating (loss) income before depreciation	(989,190)	(568,921)	(611,488)	(42,567)	838,511	1,418,537	1,658,834	240,297
Depreciation	(1,818)	(1,819)	(1,817)	2	(7,359,204)	(7,046,842)	(7,094,197)	(47,355)
Operating (loss) before nonoperating	(991,008)	(570,740)	(613,305)	(42,565)	(6,520,693)	(5,628,305)	(5,435,363)	192,942
NonOperating Revenues (Expenses)								
Hotel/motel excise tax	923,489	3,910,129	3,986,514	76,385	12,602,277	10,925,781	12,064,773	1,138,992
(Decrease) in fair value of investments	—	—	—	—	(161,382)	(286,794)	484,564	771,358
Interest Earnings	8,935	46,939	244,552	197,613	441,977	862,172	1,097,201	235,029
Interest Expense	—	—	—	—	(8,317,411)	(7,922,081)	(7,479,900)	442,181
Transfers in (out)	(137,725)	10,967	25,053	14,086	137,725	(10,967)	(25,053)	(14,086)
Total NonOperating Revenues	794,699	3,968,035	4,256,119	288,084	4,703,186	3,568,111	6,141,585	2,573,474
Change in net assets	(196,309)	3,397,295	3,642,814	245,519	(1,817,507)	(2,060,194)	706,222	2,766,416
Total net assets - beginning	2,234,846	2,038,537	5,435,832	3,397,295	56,399,440	54,581,933	52,521,739	(2,060,194)
Total net assets - ending	$2,038,537	$5,435,832	$9,078,646	$3,642,814	$54,581,933	$52,521,739	$53,227,961	$706,222

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. 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 all three agreements, lease payments include both a fixed lease payment which is consistent from year to year and a performance based lease payment which varies from year to year pending the financial success of the hotels and the arena. In 2006, lease rent increased by $243,358 primarily due to the continual improvement in the financial performance of the Hyatt Regency Hotel. During 2004, the hotel experienced a decline in room revenue due to lower than normal occupancy levels. This dip in occupancy was short-term as 2005 and 2006 proved to be much better years for the hotel. Improved occupancy levels and room rates have enhanced the hotel's overall financial performance.

- 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. 2006 was a good year for Convention Center operations. Increases in both the number of events held as well as the number of delegates attending events resulted in the Convention Center ending the year with a surplus of $447,900.

- 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 2006, the Authority again experienced savings in this expense due to aggressive pricing for property insurance. Overall, insurance expenses decreased by $26,641 or 7.3 percent.

- Excluding insurance, all other operating expenses of the Authority increased by $122,600 in 2006. Most of the added expense is due to adjustments made to leave accruals and purchase of computer equipment for the Authority's office.

- 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 2006, hotel/motel tax collections increased by $1.2 million or 8.2 percent above prior year collections.

- During 2005, the Authority took advantage of current market conditions to refund a portion of the 1997 bond series and utilize savings to restructure debt service. This restructuring equalized debt service payments though 2027 by reducing debt service in the short term and increasing slightly debt service in outer years. One significant impact of this restructuring was the subsequent release of reserve funds due to a decrease in required reserve levels. Per the Bond Indenture, the Authority is required to maintain reserves equal to 1.5 times coverage of the highest remaining annual debt service payment. Prior to the refunding, the highest debt service payment was equal to $13.6 million (in 2020) with a resulting reserve requirement of $20.3 million. With the refunding, the large payment in 2020 was reduced thus decreasing the highest outstanding debt service payment to $12.8 million with a revised reserve requirement of $19.2 million. This reduction in reserve requirement released over $1.1 million in reserve funds that the Authority used to meet debt service obligations in 2005.

- 2006 tax collections, when combined with interest earnings, exceeded debt service obligations for the year by $4.0 million. These excess revenues were deposited into the Operating fund.

- 2006 interest earnings are mainly acquired through investment of reserve funds in U.S. Agency Securities consistent with an investment policy approved by the Authority. While investments will be held until maturity, there is a reported increase in investments for 2006 due to the valuation of such investments at current market. This increase is temporary as reported gains and loses will fluctuate throughout the investment period.

- Operating and Capital funds combined, the Authority ended the year with an increase in net assets of $4,349,036.

CAPITAL ASSETS

At the end of 2006, the Authority had $166,512,101 (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 2006 assets and compares these assets with assets listed in 2004 and 2005.

	Operating Fund				Capital Fund			
	2004	2005	2006	Increase (Decrease) over/ (under) 2005	2004	2005	2006	Increase (Decrease) over/ (under) 2005
Non-Depreciable Capital Assets								
Land	$ —	$ —	$ —	$ —	$32,428,682	$32,428,682	$32,428,682	$ —
Construction in progress	—	—	—	—	378,801	624,389	334,392	(289,997)
Total Non-Depreciable Capital Assets	—	—	—	—	32,807,483	33,053,071	32,763,074	(289,997)
Depreciable Capital Assets								
Building and improvements	—	—	—	—	193,783,637	194,380,366	195,292,461	912,095
Major building equipment	—	—	—	—	9,381,154	9,381,154	9,381,154	—
Parking lot	—	—	—	—	1,144,558	1,144,558	1,144,558	—
Equipment and furnishings	33,044	33,044	33,044	—	5,570,985	5,670,756	5,722,095	51,339
Improvement other than building	—	—	—	—	1,552,245	1,552,245	1,595,523	43,278
Total Depreciable Capital Assets	33,044	33,044	33,044	—	211,432,579	212,129,079	213,135,791	1,006,712
Total Capital Assets	33,044	33,044	33,044	—	244,240,062	245,182,150	245,898,865	716,715
Less accumulated depreciation	(27,590)	(29,409)	(31,226)	(1,817)	(65,261,743)	(72,294,385)	(79,388,582)	(7,094,197)
Capital assets, net	$5,454	$3,635	$1,818	($1,817)	$178,978,319	$172,887,765	$166,510,283	($6,377,482)

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

In the Capital fund, the primary change in capital assets includes current year depreciation expense (including disposals) of $7,094,197; building and equipment additions of $1,006,712; and a reduction in the value of projects still under construction of $289,997.

DEBT ADMINISTRATION

At December 31, 2006, the Authority had $140.8 million in bonds outstanding of which $6,570,000 is due within fiscal year 2007. 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, 2006. Bonds mature on December 1st in the years as set forth.

The following summarizes the Authority's debt outstanding as of year end 2004, 2005 and 2006.

			Amount			
Type	Interest Rate	Maturity	Restated 2004	2005	2006	Increase (Decrease) over/ (under) 2005
Refunded Term/Series 97	5.0%	2013 and 2027	$61,600,000	$ —	$ —	$ —
Refunded Series/97	4.3% to 5.0%	2003 to 2012	16,190,000	12,170,000	10,400,000	(1,770,000)
Refunded Series/02	2.5% to 5.25%	2003 to 2019	53,865,000	53,595,000	53,315,000	(280,000)
Refunded Series/05	3.9% to 5.0%	2006 to 2027	—	63,570,000	63,570,000	—
Zero Coupon		2002 to 2010	26,130,000	21,775,000	17,420,000	(4,355,000)
Total			157,785,000	151,110,000	144,705,000	(6,405,000)
Less:						
Unamortized discount			(3,737,342)	2,061,915	2,665,878	603,963
Accretion			877,644	927,484	970,398	42,914
Unamortized issuance costs			(289,975)	(262,715)	(242,712)	20,003
Unamortized deferred loss			(3,718,158)	(7,727,088)	(7,298,692)	428,396
Total			$150,917,169	$146,109,596	$140,799,872	($5,309,724)

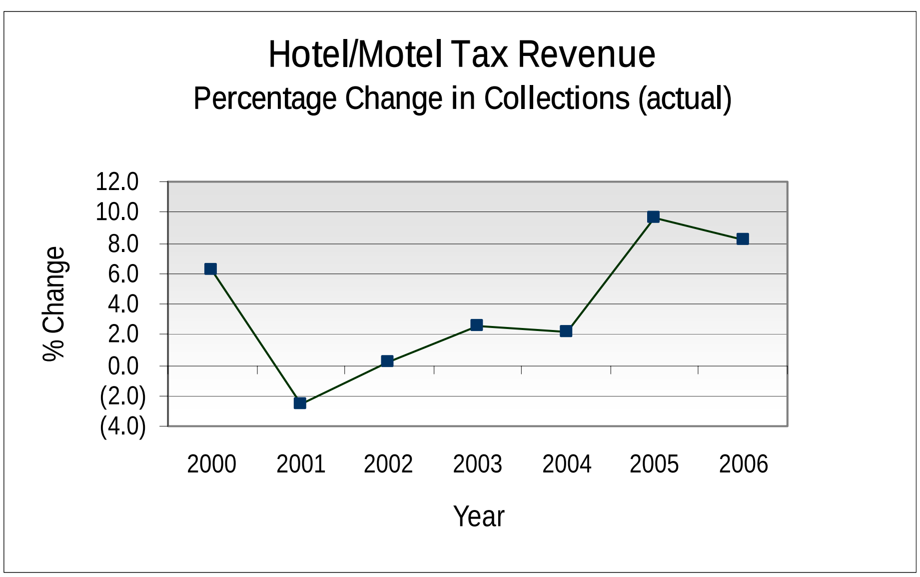
Annual debt service requirements are met through the collection of hotel/motel excise taxes. The Bond Indenture requires that proceeds from the hotel/motel excise tax as well as from earnings received through investments must first be used to meet annual debt service obligations. Only after these obligations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

In accordance with the Bond Indenture, a debt service reserve fund and a rental reserve fund have been established 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 reserve funds as well as the minimum reserve balances. Per Bond Indenture requirements, reserve balances are valued on a cash basis. These reserves were as follows at December 31:

	2006	
	Reserve Balances	Required Balances
Debt service fund	$1,066,581	$1,066,581
Debt service reserve fund	12,805,309	12,798,969
Rental reserve fund	6,399,485	6,399,485
Total	$20,271,375	$20,265,035

ECONOMIC FACTORS

Economic factors 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. Recovery was gradual; however, the extent and the duration of this period for the Columbus hotel community was not as dramatic as that experienced in other communities. In fact, revenue growth in 2005 and in 2006 would suggest that the Columbus hotel/motel market is again doing well. This improvement is expected to continue in 2007.



The Convention Center also has seen a change in the types of events held in the facility since 2001. Corporate travel has declined as businesses have streamlined the number and size of conventions as a way to control expenses. On the other hand, the Convention Center has been able to off-set this reduction by an increase in short term events held in the center. 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 slowed economy. As a result, the Convention Center has remained self-sustaining during this period. The improvement in revenues during 2004, 2005 and 2006 can be attributed to the Convention Center's success in booking events with strong attendance and maintaining a level of repeat business that assures event income on an ongoing basis.

The impact of growth in hotel/motel tax revenue over the past several years 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 did impact the growth in unrestricted assets as reduced revenues have decreased the amount of excess hotel/motel tax revenue available for other expenses. While unrestricted assets declined slightly in 2004, this reduction in assets proved short term as net assets improved significantly in 2005 and 2006. Current projections, based upon actual bookings within the local hotel industry as well as within the Convention Center, suggest that 2007 will be a good year for Authority as well. Convention Center operations and hotel occupancy are all expected to maintain levels of performance consistent with 2006.

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.

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2006 AND 2005

	Business-type Activities - Enterprise Funds					
	2006			2005		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ 38,132	$ 188,065	$ 226,197	$ 60,169	$ 38,463	$ 98,632
Investments	7,792,730	3,567,124	11,359,854	3,999,512	2,523,792	6,523,304
Hotel/motel excise tax receivable	284,281	2,128,649	2,412,930	121,829	1,963,564	2,085,393
Lease receivable	-	1,266,378	1,266,378	-	1,073,005	1,073,005
Interest receivable	-	109,211	109,211	-	96,045	96,045
SMG receivable	1,071,136	-	1,071,136	1,323,236	-	1,323,236
Miscellaneous receivable	124	-	124	-	-	-
Prepaid items	100,817	939,944	1,040,761	88,369	1,001,149	1,089,518
Total current assets	9,287,220	8,199,371	17,486,591	5,593,115	6,696,018	12,289,133
Noncurrent assets:						
Restricted cash and investments	-	20,277,885	20,277,885	-	19,777,407	19,777,407
Capital assets:						
Land	-	32,428,682	32,428,682	-	32,428,682	32,428,682
Construction in progress	-	334,392	334,392	-	624,389	624,389
Depreciable capital assets, net	1,818	133,747,209	133,749,027	3,635	139,834,694	139,838,329
Total capital assets	1,818	166,510,283	166,512,101	3,635	172,887,765	172,891,400
Restricted cash and investments held in escrow	-	61,646	61,646	-	58,809	58,809
Total noncurrent assets	1,818	186,849,814	186,851,632	3,635	192,723,981	192,727,616
Total assets	9,289,038	195,049,185	204,338,223	5,596,750	199,419,999	205,016,749
LIABILITIES						
Current liabilities:						
Accounts payable	13,959	335,624	349,583	13,422	97,078	110,500
Interest payable	-	524,081	524,081	-	532,777	532,777
Accrued liabilities and other	196,433	100,000	296,433	147,496	100,000	247,496
Bonds payable	-	6,510,000	6,510,000	-	6,405,000	6,405,000
Total current liabilities	210,392	7,469,705	7,680,097	160,918	7,134,855	7,295,773
Noncurrent liabilities:						
Bonds payable, net	-	134,289,873	134,289,873	-	139,704,596	139,704,596
Restricted arbitrage rebate escrow	-	61,646	61,646	-	58,809	58,809
Total noncurrent liabilities	-	134,351,519	134,351,519	-	139,763,405	139,763,405
Total liabilities	210,392	141,821,224	142,031,616	160,918	146,898,260	147,059,178
NET ASSETS						
Invested in capital assets, net of related debt	1,818	17,172,469	17,174,287	3,635	26,778,169	26,781,804
Restricted for debt service	143,663	20,271,375	20,415,038	142,110	20,274,404	20,416,514
Unrestricted	8,933,165	15,784,117	24,717,282	5,290,087	5,469,166	10,759,253
Total net assets	$ 9,078,646	$ 53,227,961	$ 62,306,607	$ 5,435,832	$ 52,521,739	$ 57,957,571

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

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Business-type Activities - Enterpriise Funds					
	2006			2005		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
OPERATING REVENUES:						
Lease rent	$ -	$ 1,720,039	$ 1,720,039	$ -	$ 1,476,681	$ 1,476,681
Center operations	447,900	-	447,900	391,849	-	391,849
Miscellaneous	-	-	-	2,659	-	2,659
Total operating revenues	447,900	1,720,039	2,167,939	394,508	1,476,681	1,871,189
OPERATING EXPENSES:						
Salary and leave	365,162	-	365,162	302,684	-	302,684
Professional fees	75,557	-	75,557	65,226	-	65,226
Insurance	340,556	61,205	401,761	367,197	58,144	425,341
Retirement and payroll taxes	76,489	-	76,489	67,997	-	67,997
Rent	1,139	-	1,139	548	-	548
Advertising	2,594	-	2,594	285	-	285
Travel	2,325	-	2,325	4,500	-	4,500
Office	23,292	-	23,292	5,165	-	5,165
Telephone	1,150	-	1,150	1,336	-	1,336
Property tax	7,389	-	7,389	7,388	-	7,388
Miscellaneous	163,735	-	163,735	141,103	-	141,103
Total operating expenses	1,059,388	61,205	1,120,593	963,429	58,144	1,021,573
Operating (loss) income before depreciation	(611,488)	1,658,834	1,047,346	(568,921)	1,418,537	849,616
Depreciation	1,817	7,094,197	7,096,014	1,819	7,046,842	7,048,661
Operating (loss) before non-operating revenues and expenses	(613,305)	(5,435,363)	(6,048,668)	(570,740)	(5,628,305)	(6,199,045)
NONOPERATING REVENUES (EXPENSES)						
Hotel/motel excise tax	3,986,514	12,064,773	16,051,287	3,910,129	10,925,781	14,835,910
Increase/(decrease) in fair value of investments	-	484,564	484,564	-	(286,794)	(286,794)
Interest earnings	244,552	1,097,201	1,341,753	46,939	862,172	909,111
Interest expense	-	(7,479,900)	(7,479,900)	-	(7,922,081)	(7,922,081)
Total nonoperating revenues (expenses)	4,231,066	6,166,638	10,397,704	3,957,068	3,579,078	7,536,146
Income (loss) before transfers	3,617,761	731,275	4,349,036	3,386,328	(2,049,227)	1,337,101
Transfers in	25,053	-	25,053	10,967	-	10,967
Transfers out	-	(25,053)	(25,053)	-	(10,967)	(10,967)
Change in net assets	3,642,814	706,222	4,349,036	3,397,295	(2,060,194)	1,337,101
Total net assets - beginning	5,435,832	52,521,739	57,957,571	2,038,537	54,581,933	56,620,470
Total net assets - ending	$ 9,078,646	$ 53,227,961	$ 62,306,607	$ 5,435,832	$ 52,521,739	$ 57,957,571

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

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Business-type Activities - Enterprise Fund					
	2006			**2005**		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from leases	$ -	$ 1,526,666	$ 1,526,666	$ -	$ 921,356	$ 921,356
Receipts from services	699,876	-	699,876	2,718	-	2,718
Payments for professional services and operations	(628,825)	-	(628,825)	(544,788)	(135,412)	(680,200)
Payments to employees	(318,313)	-	(318,313)	(291,111)	-	(291,111)
Payments for retirement and payroll taxes	(75,223)	-	(75,223)	(65,962)	-	(65,962)
Net cash provided by (used in) operating activities	(322,485)	1,526,666	1,204,181	(899,143)	785,944	(113,199)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES						
Hotel\motel excise taxes received	3,824,061	11,899,686	15,723,747	3,788,300	10,978,682	14,766,982
Transfers in (out)	25,053	(25,053)	-	10,967	(10,967)	-
Net cash provided by noncapital financing activities	3,849,114	11,874,633	15,723,747	3,799,267	10,967,715	14,766,982
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	-	(478,169)	(478,169)	-	(1,034,116)	(1,034,116)
Proceeds from the sale of refunding debt	-	-	-	-	63,925,000	63,925,000
Cash paid for construction of a roadway	-	-	-	-	-	-
Cash paid on bond interest	-	(6,393,319)	(6,393,319)	-	(6,076,840)	(6,076,840)
Cash paid on bond principal	-	(6,405,000)	(6,405,000)	-	(70,600,000)	(70,600,000)
Net cash used in capital and related financing activities	-	(13,276,488)	(13,276,488)	-	(13,785,956)	(13,785,956)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received from investments	244,552	1,084,034	1,328,586	46,938	842,317	889,255
Net cash provided by (used in) investing activities	(3,793,218)	(1,059,244)	(4,852,462)	(2,945,881)	1,079,225	(1,866,656)
Net cash provided by (used in) investing activities	(3,548,666)	24,790	(3,523,876)	(2,898,943)	1,921,542	(977,401)
Net increase (decrease) in cash and cash equivalents	(22,037)	149,601	127,564	1,181	(110,755)	(109,574)
Cash - January 1	60,169	38,463	98,632	58,988	149,218	208,206
Cash - December 31	$ 38,132	$ 188,064	$ 226,196	$ 60,169	$ 38,463	$ 98,632
Reconciliation of operating loss to net cash provided by (used in) by operating activities:						
Operating loss	$ (613,305)	$ (5,435,363)	$ (6,048,668)	$ (570,740)	$ (5,628,305)	$ (6,199,045)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation	1,817	7,094,197	7,096,014	1,819	7,046,842	7,048,661
(Increase) in lease receivable	-	(193,373)	(193,373)	-	(555,325)	(555,325)
(Increase) in miscellaneous receivable	(124)	-	(124)	-	-	-
Increase (decrease) in SMG receivable	252,100	-	252,100	(391,849)	-	(391,849)
(Increase) decrease in prepaid expenses and other	(12,448)	58,368	45,920	41,671	(79,043)	(37,372)
(Decrease) in accounts payable	538	-	538	4,262	-	4,262
Increase (decrease) in accrued liabilities and other	48,937	2,837	51,774	15,694	1,775	17,469
Total adjustments	290,820	6,962,029	7,252,849	(328,403)	6,414,249	6,085,846
Net cash provided by (used in) operating activities	$ (322,485)	$ 1,526,666	$ 1,204,181	$ (899,143)	$ 785,944	$ (113,199)
Noncash financing activities:						
Net amortization and accretion related to the capital debt		$ 1,095,277			$ 1,867,427	

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 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
  - Statements of Net Assets
  - Statements of Revenues, Expenses, and Changes in Net Assets
  - Statements of Cash Flows
- Notes to the Basic Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

***Accrual Basis* –** The financial statements of the Authority have been prepared on the accrual basis of accounting. 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 statements of cash flows, cash includes demand and time deposits with original maturities less than three months.

***Funds Held in Escrow* –** At December 31, 2006 and 2005, various short-term investments and cash balances amounting to $61,646 and $58,809, respectively were held in an escrow account on deposit with the trustee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted Assets **–** Certain resources set aside for the repayment of Capital fund bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

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. Generally, items purchased with individual or group 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 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 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 basic 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. Repayments from funds responsible for particular expenses to the funds that initially paid for them are not presented within the basic financial statements.

Transfers during the years 2006 and 2005 are considered allowable based upon Authority's policies and the purpose of intended transfers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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 2006 or 2005.

3. CASH AND INVESTMENTS

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

Deposits **–** At December 31, 2006 and 2005, the carrying amount of the Authority’s deposits were $226,197 and $98,632, respectively, and the bank balances were $231,263 and $110,658, respectively. Of the bank balance at December 31, 2006, $143,198 was covered by Federal Deposit Insurance and $88,065 was uninsured and collateralized with securities held by the financial institution or by its trust department or agent but not in the Authority’s name. Of the bank balance at December 31, 2005, $110,658 was covered by Federal Deposit Insurance.

Investments **–** The Authority adopted a formal investment policy. The objectives of the policy are the preservation of capital and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. Funds are invested in accordance with Section 135 “Uniform Depository Act” of the Ohio Revised Code as revised by Senate Bill 81.

The types of obligations eligible for investment and deposits include:

1. U.S. Treasury Bills, Notes, and Bonds; various federal agency securities, including issues of Federal National Mortgage Association. (FNMA), Federal Home Loan Mortgage Corporation (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. CASH AND INVESTMENTS - CONTINUED

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. The following chart illustrates the Authority's investments at fair value as of December 31, 2006:

			Maturity in Years		
	Fair Value	Credit Rating	<1	1-3	3-5
Operating Fund:					
STAR Ohio	$ 6,853,542	AAA[a]	$ 6,853,542	$ -	$ -
Federal Agency Securities	939,188	N/A[b]	939,188	-	-
	7,792,730		7,792,730	-	-
Capital Fund:					
STAR Ohio	3,573,633	AAA[a]	3,573,633	-	-
Federal Agency Securities	20,333,022	N/A[b]	5,846,207	7,565,711	6,921,104
	23,906,655		9,419,840	7,565,711	6,921,104
Totals	$31,699,385		$17,212,570	$7,565,711	$6,921,104

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

3. CASH AND INVESTMENTS - CONTINUED

The following chart illustrates the Authority's investments at fair values at December 31, 2005:

	Fair Value	Credit Rating	Maturity in Years <1	1-3	3-5
Operating Fund:					
STAR Ohio	$ 3,999,512	AAAm[a]	$ 3,999,512	$ -	$ -
	3,999,512		3,999,512	-	-
Capital Fund:					
STAR Ohio	4,591,988	AAAm[a]	4,591,988	-	-
Federal Agency Securities	17,768,020	N/A[b]	3,656,693	10,936,358	3,174,969
	22,360,008		8,248,681	10,936,358	3,174,969
Totals	$26,359,520		$12,248,193	$10,936,358	$3,174,969

	2006 Operating Fund	2006 Capital Fund	2005 Operating Fund	2005 Capital Fund
Per Statement of Net Assets:				
Cash and Cash Equivalents	$ 38,132	$ 188,065	$ 60,169	$ 38,463
Investments	7,792,730	3,567,124	3,999,512	2,523,792
Restricted Cash and Investments	-	20,277,885	-	19,777,407
Restricted Arbitrage Rebate Escrow	-	61,646	-	58,809
Total Cash and Investments	$7,830,862	$24,094,720	$4,059,681	$22,398,471

STAR Ohio is an investment pool managed by the Ohio Treasurer of State's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006 and 2005.

Interest Rate Risk **–** The Authority limits investments to five years but does not specifically limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The Authority holds investments to maturity to avoid realizing losses from rising interest rates.

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 in the capital fund is restricted for debt service.

4. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2006 and 2005 are as follows:

2006

Operating Fund	Beginning Balance	Increases	Disposals/Transfers	Ending Balance
Capital assets, being depreciated				
Equipment & Furnishings	$ 33,044	$ -	$ -	$ 33,044
Total capital assets, being depreciated	33,044	-	-	33,044
Less accumulated depreciation for:				
Equipment & Furnishings	(29,409)	(1,817)	-	(31,226)
Total accumulated depreciation	(29,409)	(1,817)	-	(31,226)
Total capital assets, being depreciated, net	$ 3,635	$ (1,817)	$ -	$ 1,818
Capital Fund				
Capital assets, not being depreciated;				
Land	$ 32,428,682	$ -	$ -	$ 32,428,682
Construction in progress	624,389	-	(289,997)	334,392
Total capital assets, not being depreciated	33,053,071	-	(289,997)	32,763,074
Capital assets, being depreciated				
Buildings & Improvements	194,380,366	912,095	-	195,292,461
Improvements other than Buildings	1,552,245	43,278	-	1,595,523
Major Building Equipment	9,381,154	-	-	9,381,154
Parking Lot	1,144,558	-	-	1,144,558
Equipment & Furnishings	5,670,756	51,339	-	5,722,095
Total capital assets, being depreciated	212,129,079	1,006,712	-	213,135,791
Less accumulated depreciation for:				
Buildings & Improvements	(57,609,127)	(6,720,012)	-	(64,329,139)
Improvements other than Buildings	(452,299)	(72,796)	-	(525,095)
Major Building Equipment	(9,374,936)	(6,219)	-	(9,381,155)
Parking Lot	(455,438)	(28,613)	-	(484,051)
Equipment & Furnishings	(4,402,585)	(266,557)	-	(4,669,142)
Total accumulated depreciation	(72,294,385)	(7,094,197)	-	(79,388,582)
Total capital assets, being depreciated, net	139,834,694	(6,087,485)	-	133,747,209
Total capital assets, net	$172,887,765	$(6,087,485)	$(289,997)	$166,510,283

4. CAPITAL ASSETS - CONTINUED

2005

Operating Fund	Beginning Balance	Increases	Disposals/Transfers	Ending Balance
Capital assets, being depreciated				
Equipment & Furnishings	$ 33,044	$ -	$ -	$ 33,044
Total capital assets, being depreciated	33,044	-	-	33,044
Less accumulated depreciation for:				
Equipment & Furnishings	(27,590)	(1,819)	-	(29,409)
Total accumulated depreciation	(27,590)	(1,819)	-	(29,409)
Total capital assets, being depreciated, net	$ 5,454	$ (1,819)	$ -	$ 3,635

Capital Fund	Beginning Balance	Increases	Disposals/Transfers	Ending Balance
Capital assets, not being depreciated;				
Land	$ 32,428,682	$ -	$ -	$ 32,428,682
Construction in progress	378,801	709,935	(464,347)	624,389
Total capital assets, not being depreciated	32,807,483	709,935	(464,347)	33,053,071
Capital assets, being depreciated				
Buildings & Improvements	193,783,637	596,729	-	194,380,366
Improvements other than Buildings	1,552,245	-	-	1,552,245
Major Building Equipment	9,381,154	-	-	9,381,154
Parking Lot	1,144,558	-	-	1,144,558
Equipment & Furnishings	5,570,985	113,971	(14,200)	5,670,756
Total capital assets, being depreciated	211,432,579	710,700	(14,200)	212,129,079
Less accumulated depreciation for:				
Buildings & Improvements	(50,932,050)	(6,677,077)	-	(57,609,127)
Improvements other than Buildings	(389,374)	(62,925)	-	(452,299)
Major Building Equipment	(9,362,498)	(12,438)	-	(9,374,936)
Parking Lot	(426,824)	(28,614)	-	(455,438)
Equipment & Furnishings	(4,150,997)	(265,788)	14,200	(4,402,585)
Total accumulated depreciation	(65,261,743)	(7,046,842)	14,200	(72,294,385)
Total capital assets, being depreciated, net	146,170,836	(6,336,142)	-	139,834,694
Total capital assets, net	$178,978,319	$(5,626,207)	$(464,347)	$172,887,765

5. LONG TERM OBLIGATIONS

A. Bonds outstanding at December 31, 2006 are as follows:

Type	Interest Rate	Maturity
Refunded Term/Series 97	5%	2013 and 2027
Refunded Serial/97	4.3% to 5%	2003 to 2012
Refunded Serial/02	2.5% to 5.25%	2003 to 2019
Zero Coupon	-	2002 to 2019
Refunded Series/05	3.9% to 5.0%	2006 to 2027

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006	Due Within One Year
Refunded Series/05	$63,570,000	$ -	$ -	$63,570,000	$ -
Refunded Serial/97	12,170,000	-	(1,770,000)	10,400,000	1,870,000
Refunded Serial/02	53,595,000	-	(280,000)	53,315,000	285,000
Zero Coupon	21,775,000	-	(4,355,000)	17,420,000	4,355,000
Total	151,110,000	-	(6,405,000)	144,705,000	$6,510,000
Accretion	927,484	42,914	-	970,398	
Unamortized discount	2,061,915	603,963	-	2,665,878	
Unamortized issuance costs	(262,715)	20,003	-	(242,712)	
Unamortized deferred costs	(7,727,088)	428,396	-	(7,298,692)	
	(5,000,404)	1,095,276	-	(3,905,128)	
Total Debt less amortization	$146,109,596	$1,095,276	$(6,405,000)	$140,799,872	

Bonds outstanding at December 31, 2005 are as follows:

	(Restated) Balance 12/31/2004	Additions	Reductions	Balance 12/31/2005	Due Within One Year
Refunded Series/05	$ -	$63,925,000	$ (355,000)	$63,570,000	$ -
Refunded Term/Series 97	61,600,000	-	(61,600,000)	-	-
Refunded Serial/97	16,190,000	-	(4,020,000)	12,170,000	1,770,000
Refunded Serial/02	53,865,000	-	(270,000)	53,595,000	280,000
Zero Coupon	26,130,000	-	(4,355,000)	21,775,000	4,355,000
Total	157,785,000	63,925,000	(70,600,000)	151,110,000	$6,405,000
Accretion	877,644	49,890	-	927,484	
Unamortized discount	(3,737,342)	5,799,257	-	2,061,915	
Unamortized issuance costs	(289,975)	27,260	-	(262,715)	
Unamortized deferred costs	(3,718,158)	339,241	(4,348,171)	(7,727,088)	
	(6,867,831)	6,215,598	(4,348,171)	(5,000,404)	
Total Debt less amortization	$150,917,169	$70,140,598	$(74,948,171)	$146,109,596	

The balances at December 31, 2004 have been restated for presentation purposes.

5. LONG TERM OBLIGATIONS - CONTINUED

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, 2006. 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 refund $8,005,000 of outstanding 2020 term bonds with an average interest rate of 6%.

The 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 basic 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 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.

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 refund $57,880,000 of outstanding 1992 serial and term bonds with a true interest cost of 6.23%.

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 basic 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.

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 first required principal payment for this debt is not due until fiscal year 2008.

The 2005 refunding resulted in a difference between 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 deduction from bonds payable, is being charged to operations through the 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

In prior years, the Authority has defeased various bond issues by creating separate irrevocable trust funds. When such debt has been issued and 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, 2006 and 2005, the amount of defeased debt outstanding but removed from the financial statements amounted to $63,290,000.

B. The principal and interest payment obligations related to all bond indebtedness for the five-year period commencing January 1, 2007 and thereafter, including the effect of the refunding, are as follows:

	Principal	Interest
2007	$ 6,510,000	$ 6,288,969
2008	5,490,000	6,177,569
2009	5,525,000	6,143,519
2010	5,560,000	6,105,494
2011	5,605,000	6,063,319
2012-2016	32,430,000	25,910,919
2017-2021	38,800,000	16,684,650
2022-2026	36,390,000	7,698,450
2027	8,395,000	419,750
	$144,705,000	$81,492,639

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

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

6. DEBT SERVICE RESERVES

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

	2006		2005	
	Reserve Balance	Required Balance	Reserve Balance	Required Balance
Debt service fund	1,066,581	1,066,581	1,066,527	1,066,527
Debt service reserve fund	12,805,309	12,798,969	12,808,393	12,798,969
Rental reserve fund	6,399,485	6,399,485	6,399,484	6,399,485
Total	20,271,375	20,265,035	20,274,404	20,264,981

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 $61,646 and $58,809 in a separate account for 2006 and 2005, respectively.

During 2006 and 2005, the Authority invested in federal agency securities and STAR Ohio. For financial reporting purposes, GASB Statement No. 31 requires these investments to be reported at fair value, but for purposes of evaluating compliance with the required reserve balance, the Bond Indenture allows for valuing investments at cost. Thus, the cost value of the investments is used to determine the reserve balance at December 31, 2006 and 2005, respectively.

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 for any deficiencies in debt service payments after the rental reserve fund has been depleted.

7. ARENA LAND OPTION AGREEMENT

The Authority has a total of approximately 10.2 acres of land (“arena land”) which can be purchased by Nationwide Arena, LLC (“Nationwide”) and Nationwide Realty Investors, Ltd. (“NRI”) for $10 million and the relinquishment of the contributed capital given for land acquisition (credit), adjusted for CPI at the time of purchase of the land. Arena land includes property received from the City of Columbus for corresponding vacated street right of ways. Capitol South Community Urban Redevelopment Corporation (“Capitol South”), a not-for-profit corporation, leases this land from the Authority, and subleases the arena land to Nationwide who constructed a multi-purpose arena and related facilities pursuant to terms of an Option Agreement between the Authority, Nationwide and NRI dated December 17, 1998 and related amendments. The lease with Capitol South commenced December 1998. Rent commenced on September 7, 2000 for a term of 40 years. Base rent equals $150,000 a year for years 1 – 10, $165,000 a year for years 11 – 25 and $165,000 plus inflation thereafter. Additional rent as defined is also due. Rental revenue earned related to this lease was $150,000 during each period ended December 31, 2006 and 2005. The Authority received $1,428,722 and 283,855, from Capitol South during 1998 and 1999, respectively, in the form of cash for arena land acquisition. These payments provided a credit for future arena land purchases by Nationwide of $1,722,577.

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

8. 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, 2006. A new Management Agreement with SMG was established for 2007. 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 by management.

Bottom line performance of the Convention Center is incorporated annually into the Authority’s basic financial statements as a reported change to the outstanding receivable due from Convention Center operations. The $1,071,136 and $1,323,236 due to the Authority at December 31, 2006 and 2005, respectively, is comprised primarily of the net excess of revenues over expenses from Convention Center operations for the years ended December 31, 1993 through December 31, 2006. During 2006, $700,000 of the receivable due at December 31, 2005 was paid to the Authority.

8. FACILITY OPERATOR AGREEMENTS - CONTINUED

As base compensation for providing management services, SMG received the following fixed fees:

2002	$250,000
2003	$255,500
2004	$260,099
2005	$269,202
2006	$278,624

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 2006 and 2005, the Authority expensed SMG fees of $557,248 and $538,404, respectively, of which $278,624 and $269,202 was accrued at December 31 2006 and 2005, respectively.

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, 2006 and 2005, 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, 2006.

In 1998 Hyatt, a lessor (see Note 9), acquired a 50% ownership of SMG.

9. 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 2006 and 2005. Additional lease revenue of $1,253,355 and $1,013,829 was owed to the Authority at December 31, 2006 and 2005, respectively. SMG, as well, recorded revenues of approximately $1,210,000 and $1,042,000 in 2006 and 2005, respectively, from Ohio Center Hotel Company, LTD. (an affiliate of Hyatt) for provided services primarily utilities, parking and meeting space rentals.

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

10. 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 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 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.

11. RETIREMENT 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; 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 plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio revised Code. OPERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-PERS (7377).

11. RETIREMENT PLAN - CONTINUED

***Funding Policy* –** The Authority and covered employees contribute at actuarially determined rates for 2006, 13.7% and 9%, respectively, of covered employee payroll to OPERS. The Authority's contributions to OPERS for the years ended December 31, 2006, 2005, and 2004 were $43,266, $39,039 and $36,322, respectively. The employees' contributions to OPERS for the years ended December 31, 2006, 2005, and 2004 were $28,423, $24,489, and $22,785, 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 OPERS.

Other Postretirement Benefits - OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit, and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available under OPERS. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB). A portion (4.5%) of each employer's OPERS contribution is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to OPERS.

Employer contributions are advance-funded on an actuarially determined basis and are determined by state statue. The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2005 (latest actuarial review). An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actual gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5 percent.

OPERS (assuming the number of active employees remains constant) assumes an annual increase of 4.00% compounded annually for the base portion of an individual's pay increase. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase 4% (the projected wage inflation rate).

As of December 31, 2005, the audited estimated net assets available for OPEB were $11.1 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were $31.3 billion and $20.2 billion, respectively.

11. RETIREMENT PLAN - CONTINUED

The Health Care Preservation Fund (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

12. RISK MANAGEMENT

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

13. 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 encumbrances. The defined legal level of control established by the Authority to monitor expenses is at the fund/function level.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
The Franklin County Convention Facilities Authority
400 North High Street
Columbus, Ohio 43215

We have audited 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, 2006 and have issued our report thereon dated April 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more that inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Wilson, Shannon & Snow, Inc.
CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
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Compliance and Other Matters

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

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
April 9, 2007

Mary Taylor, CPA
Auditor of State

FRANKLIN COUNTY CONVENTION AND 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 29, 2007

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