FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2011

Dave Yost • Auditor of State

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
FRANKLIN COUNTY

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities and each major fund of the Franklin County Convention Facilities Authority, Franklin County, Ohio (the Authority), as of and for the year ended December 31, 2011, which collectively 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 respective financial position of the business-type activities of the Franklin County Convention Facilities Authority, Franklin County, Ohio, as of December 31, 2011, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Dave Yost

Dave Yost
Auditor of State

April 2, 2012

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the Franklin County Convention Facilities Authority (herein referred to as the Authority) and provides an introduction to the Authority's basic financial statements for the year ended December 31, 2011. The information contained in this MD&A should be considered in conjunction with information presented in the Authority's basic financial statements and corresponding notes to the basic financial statements.

OVERVIEW OF THE AUTHORITY

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

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Authority's basic financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). The financial information of the Authority is accounted for in two separate proprietary (enterprise) funds in order to reflect limitations and restrictions placed on the use of available resources. The Hotel Fund, established in 2010, is used to account for financial resources used for the acquisition, development and construction of the Hilton Hotel, as well as the accumulations of resources for, and the payment of capital debt principal, interest and related costs. The Convention Center Fund is used to account for financial resources used for the acquisition, development and construction of the Convention Center, as well as the accumulations of resources for, and the payment of capital debt principal, interest and related costs. The Convention Center Fund is used to account for all financial resources and expenses of the Authority except those required to be accounted for in the Hotel Fund.

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

- Statement of Net 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. This includes operating and non-operating revenues and expenses of the Authority.

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

FINANCIAL POSITION OF THE AUTHORITY

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

	Convention Center Fund			Hotel Fund		
	2010	2011	Increase (Decrease) over/ (under) 2010	2010	2011	Increase (Decrease) over/ (under) 2010
Current and other assets	$ 42,658,455	$ 55,903,914	$ 13,245,459	$ 145,173,515	$ 91,756,336	$ (53,417,179)
Capital assets, Net	183,568,726	177,045,252	(6,523,474)	18,804,367	78,935,531	60,131,164
Total assets	226,227,181	232,949,166	6,721,985	163,977,882	170,691,867	6,713,985
Current liabilities	7,209,905	7,853,237	643,332	3,972,811	10,276,357	6,303,546
Noncurrent liabilities	152,729,828	162,032,743	9,302,915	160,000,000	160,000,000	-
Total liabilities	159,939,733	169,885,980	9,946,247	163,972,811	170,276,357	6,303,546
Net assets - invested in capital assets, net of related debt	45,818,266	44,275,955	(1,542,311)	-	-	-
Restricted for debt service	4,107,492	5,523,733	1,416,241	-	8,853,837	8,853,837
Restricted for capital projects	-	-	-	666,059	-	(666,059)
Restricted for other	207,617	-	(207,617)	-	-	-
Unrestricted	15,994,764	13,263,498	(2,731,266)	(660,988)	(8,438,327)	(7,777,339)
Total net assets	**$ 66,128,139**	**$ 63,063,186**	**$ (3,064,953)**	**$ 5,071**	**$ 415,510**	**$ 410,439**

In the Convention Center Fund, total assets exceeded total liabilities by $63.1 million (net assets) at December 31, 2011. A large portion of net assets, $44.3 million at December 31, 2011, 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, as well as the continual expansion and improvement, of the convention center and related facilities. Although the Authority's investment in capital assets is reported net of debt; it is noted that the resources needed to repay the debt associated with the convention center is provided annually from collection of hotel/motel excise taxes, since capital assets themselves cannot be used to liquidate liabilities.

An additional portion of Convention Center Fund net assets, $5.5 million at December 31, 2011, is subject to restrictions as set forth in the Authority's bond indentures. These assets are not available for new spending, as the majority of these assets are held in reserve to meet debt service requirements should other revenue sources prove inadequate.

The Convention Center Fund's remaining unrestricted net assets of $13.3 million may be used to meet any of the Authority's ongoing obligations. The Authority anticipates that these resources will be used to support the Authority's financial commitment to the hotel project.

In the Hotel Fund, total assets exceeded total liabilities by $415,510 (net assets) at December 31, 2011. All activity to date within the Hotel Fund has been associated with the construction of a new Hilton Columbus Downtown Hotel. Recorded assets and liabilities have to do with the construction of the hotel and related debt associated with the issue of bonds to financially support this construction.

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

	Convention Center Fund			Hotel Fund		
	2010	2011	Increase (Decrease) over/ (under) 2010	2010	2011	Increase (Decrease) over/ (under) 2011
Operating Revenues						
Gain from center operations	$ 141,562	$ 574,503	$ 432,941	$ -	$ -	$ -
Lease rent	500,476	1,062,909	562,433	-	-	-
Miscellaneous	138,858	29,570	(109,288)	-		
Total Operating Revenues	780,896	1,666,982	886,086	-	-	-
Operating Expenses						
Salary and fringe benefits	551,946	599,726	47,780	-	-	-
Insurance	318,844	299,328	(19,516)	-	-	-
Materials and supplies	69,191	719,109	649,918	44,925	47,411	2,486
Purchased services	144,531	465,551	321,020	321,775	855,891	534,116
Other	126,676	128,690	2,014	-	-	-
Total Operating Expenses	1,211,188	2,212,404	1,001,216	366,700	903,302	536,602
Operating loss before depreciation	**(430,292)**	**(545,422)**	**(115,130)**	**(366,700)**	**(903,302)**	**(536,602)**
Depreciation	8,978,128	8,775,322	(202,806)	-	-	-
Operating (loss) before nonoperating revenues and expenses	(9,408,420)	(9,320,744)	87,676	(366,700)	(903,302)	(536,602)
NonOperating Revenues (Expenses)						
Hotel/motel excise tax	14,921,225	16,130,121	1,208,896	-	-	-
Decrease in fair value of investments	(165,747)	(178,912)	(13,165)	(1,031,739)	(1,431,896)	(400,157)
Interest earnings	888,354	744,157	(144,197)	2,521,137	2,123,366	(397,771)
Interest expense	(8,096,868)	(7,648,726)	448,142	(5,708,102)	(5,698,396)	9,706
Interest subsidy revenue	-	-	-	2,852,474	3,529,818	677,344
Total NonOperating Revenues (Expenses)	7,546,964	9,046,640	1,499,676	(1,366,230)	(1,477,108)	(110,878)
Loss before transfers	(1,861,456)	(274,104)	1,587,352	(1,732,930)	(2,380,410)	(647,480)
Transfers in (out)	(1,738,001)	(2,790,849)	(1,052,848)	1,738,001	2,790,849	1,052,848
Change in net assets	(3,599,457)	(3,064,953)	534,504	5,071	410,439	405,368
Total net assets - beginning, as restated	69,727,596	66,128,139	(3,599,457)	-	5,071	5,071
Total net assets - ending	**$ 66,128,139**	**$ 63,063,186**	**$ (3,064,953)**	**$ 5,071**	**$ 415,510**	**$ 410,439**

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

- Convention center and hotel funds combined, the Authority ended the year with a decrease in net assets of $2.7 million.

Convention Center Fund:

- 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 2011, lease rent payments received were above prior year due to an increase in the rent payment from the Hyatt Regency Hotel as a result of improved hotel 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 expenses associated with operating the facility. Bottom line performance of the convention center is recorded as "gain/loss from center operations" in the Convention Center Fund.

  2011 proved to be a very successful year for the convention center. Convention center operations ended the year with a surplus, significantly above the surplus experienced during 2010. Of significance was the increase in ancillary income due to unusually high income from food and beverage sales. Event income also proved strong as the center was able to capitalize on short term business. Some of these improvements can be attributed to added business resulting from the opening of the newly renovated Battelle Hall in 2010.

- Insurance is a major expense for the Convention Center Fund. Included in this line item are costs associated with purchasing property, general liability, umbrella and public official's liability insurance. In 2011, the Authority's expenses for insurance remained consistent with the prior year. Overall, insurance expenses for 2011 were almost equal to those expenses recognized during 2010.

- Purchased services and materials and supplies are other expense line items that increased significantly in 2011. The increase in materials and supplies is attributed to repair work completed on the convention center's east lot and Vine Street parking garage. The increase in purchased services is due to legal work associated with the Authority's acquisition of Nationwide Arena (discussed in the notes to the basic financial statements).

- The Authority levies a 4.0 percent countywide bed tax on occupied hotel/motel rooms and an additional 0.9 percent bed tax on City of Columbus occupied hotel/motel rooms. Revenue collected from this excise tax as well as earnings from investments are first used to pay for annual convention center debt service obligations of the Authority. Revenues and earnings in excess of convention center debt service obligations are deposited into the Convention Center Fund as available equity. Hotel/motel tax collections during 2011 proved to be 8.1 percent or $1.2 million above prior year collections. This increase was due to improved occupancy and average daily rates within the local hotel market. When hotel/motel tax collections are combined with revenue received from interest earnings in reserve funds, collections and related earnings for the year exceeded convention center debt service obligations by approximately $2.9 million.

- 2011 interest earnings are mainly acquired through investment of resources in U.S. Agency Securities and Treasuries consistent with an investment policy approved by the Authority. While investments will be held until maturity, there is a reported decrease in investment income for 2011 due to the valuation of such investments at current market and sales associated with planned cash flow needs of construction. This decrease is temporary as reported gains and losses will fluctuate throughout the investment period.

- In December 2011, the Authority issued $16.0 million in parking garage improvement revenue bonds to finance the expansion of the Vine Street parking facility. This parking facility is owned by the Authority and is located near the convention center. With funds received through the bond issue, the Authority will add approximately 800 spaces to the current garage. These new spaces will address increased demand for parking as generated by the recent growth in local business and convention center activity as well as future demand for parking expected with the opening of the hotel. Bonds were issued as thirty year, taxable bonds purchased by the Franklin County Treasurer. Debt service associated with these bonds will be paid through revenue received from use of the facility. The Authority has signed a long term agreement with Nationwide Reality Investors for a license to use parking spaces within the expanded garage. Revenue from this agreement will cover almost all of the annual debt service associated with this bond issue.

Hotel Fund:

- In answer to increasing demand for hotel rooms near and connected to the convention center, the Authority, in partnership with the City of Columbus and Franklin County, agreed to finance the design and construction of a new hotel on property near the convention center. Scheduled for opening in 2012, the project is well under way. Currently under construction, the Hilton Columbus Downtown Hotel will include 532 guest rooms of which 48 are suites, a ballroom, meeting/banquet rooms, lobby, a three meal restaurant, bar/lounge area, coffee shop, pool, fitness center and walkway to the convention center. Parking for the hotel will be provided by the convention center west parking garage located next to the hotel site. The hotel will be 14 floors with over 429,600 square feet of usable space. Development cost of the project will be $145.0 million and, after adding in reserve funds, issuance cost, and capitalized interest, the total cost of the project will be $178 million.

  To finance the development and construction of the new hotel, the Authority issued Lease Revenue Anticipation Bonds backed by Franklin County. Bonds were issued in February 2010 and were issued as Build America Bonds. Interest payments for the issue have been capitalized through construction. Principal payments will begin in 2015; with net debt service escalating one percent annually after that point in time through 2042 when the last debt service payment is due. Income from the hotel as well as revenue equivalent to the hotel's hotel/motel taxes will be used to cover debt service once the hotel is opened. Proceeds from this bond issue plus contributions made by the Authority ($15.0 million), Hilton Hotels ($3.0 million) and projected interest earnings equal the required $178 million needed to finance the project.

All financial activity of the hotel development project is reported in the Hotel Fund. All activity to date has to do with the construction of the hotel and the payment of the hotel's annual debt service. U.S. Treasury interest subsidy payments of $3.5 million were made to the Authority in 2011 for debt service pursuant to bond requirements. The Authority also transferred $2.8 million from the Convention Center Fund to the Hotel Fund to finance the pre-opening office for the hotel and to partially finance the required deposit into the rental reserve fund. This transfer is part of the Authority's contribution towards the project.

CAPITAL ASSETS

At the end of fiscal year 2011, the Authority had $255,980,783 (net of accumulated depreciation) invested in capital assets. This investment in capital assets includes land; a 900 car parking facility (to be expanded in 2012 to approximately 1700 car 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, and a new 532 full service hotel to be opened in 2012.

The Authority's net capital assets increased by $53,607,690 in fiscal year 2011. This increase is the result of current year depreciation expense of $8,775,322, building and equipment additions of $1,509,983; and a net increase in the value of land and projects still under construction of $61,032,338.

Detailed capital asset information can be found in the notes to the basic financial statements.

DEBT ADMINISTRATION

At December 31, 2011, the Authority had $328.3 million in bonds and related long term liabilities outstanding, an increase of $9.6 million from the previous fiscal year. This increase is primarily attributed to the issuance of $16 million in parking garage improvement revenue bonds for the expansion of the Vine Street parking garage owned by the Authority. This issue was completed in December, 2011.

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

Annual debt service for the Hilton Hotel will be covered, in the short term, with funds capitalized through the bond issue. Once the hotel is opened, income from the hotel as well as revenue equivalent to the hotel's hotel/motel taxes will be used to meet debt obligations.

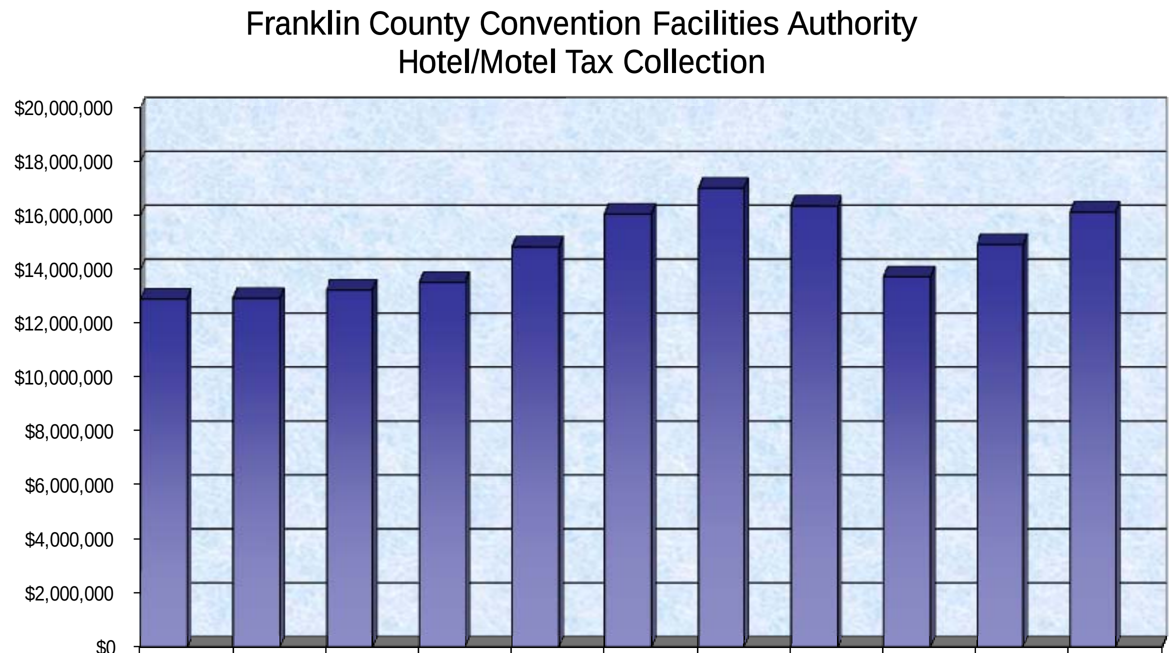
Annual debt service for the parking garage improvement revenue bonds will be covered through parking revenue generated through the expansion project. The Authority has a long term agreement with Nationwide Realty Investors (NRI) for a license to use parking spaces within the expanded garage. Annual payments from NRI will cover the majority of annual debt. The remaining portion of annual debt will be paid with revenue from daily parkers.

In accordance with all bond indentures, debt service reserve funds and rental reserve funds have been established as special trust funds to provide for the payment of bond principal and interest in the event the amount in the debt service fund is insufficient. The bond indenture prescribes the amount to be placed into each of these special trust funds as well as the minimum reserve balances. Per bond indenture requirements, reserve balances are valued on a cash basis. These reserves totaled $44,676,469 at December 31, 2011.

Detailed debt information can be found in the notes to the basic financial statements.

ECONOMIC FACTORS

Economic factors have impacted the convention and travel industry nationwide as well as within the Columbus market. As illustrated in the following graph, percentage change in the Authority's revenue resulting from hotel/motel usage has followed the pattern suggested by market trends experienced throughout the national economy. The Authority experienced a significant decline in tax collections during 2009 due to pressures and challenges imposed by the economy. Collections improved significantly in 2010 and 2011 due to increased occupancy rates and average daily rates of hotels within the Columbus community.



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Taxes ($ in 1,000's)	12,908,502	12,931,531	13,240,866	13,525,765	14,835,910	16,051,285	17,010,766	16,356,431	13,723,219	14,921,225	16,130,121
% Change	(2.62)	0.18	2.39	2.15	9.69	8.19	5.98	(3.85)	(16.10)	8.73	8.10

The Authority was able to absorb the impact of declined growth in hotel/motel tax during 2009. Even with reduced levels of hotel/motel revenue, the Authority was able to meet all debt service obligations without using reserve funds. This ability to cover debt service obligations continued into 2010 and 2011. Current projections, based upon actual bookings within the local hotel industry as well as within the convention center, suggest that 2012 tax revenues will continue to improve.

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
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Convention Center	Hotel	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 134,883	$ -	$ 134,883
Investments	13,079,024	-	13,079,024
Restricted assets:			
Investments	7,227,927	10,276,357	17,504,284
Hotel/motel excise tax receivable	1,061,127	-	1,061,127
Lease receivable	600,648	-	600,648
Interest receivable	109,828	345,518	455,346
SMG receivable	716,824	-	716,824
Prepaid items	73,137	-	73,137
Total current assets	23,003,398	10,621,875	33,625,273
Noncurrent Assets:			
Deferred charges	888,475	1,428,201	2,316,676
Restricted investments	32,012,041	79,706,260	111,718,301
Capital Assets:			
Land	32,556,992	300,513	32,857,505
Construction in progress	1,539,592	78,635,018	80,174,610
Depreciable capital assets, net	142,948,668	-	142,948,668
Total capital assets	177,045,252	78,935,531	255,980,783
Total noncurrent assets	209,945,768	160,069,992	370,015,760
Total assets	232,949,166	170,691,867	403,641,033
LIABILITIES			
Current Liabilities:			
Accounts payable	550,275	6,457,082	7,007,357
Retainage payable	8,000	2,979,076	2,987,076
Interest payable	659,573	840,199	1,499,772
Accrued liabilities and other	140,389	-	140,389
Bonds payable	6,495,000	-	6,495,000
Total current liabilities	7,853,237	10,276,357	18,129,594
Noncurrent liabilities:			
Compensated absences payable	224,888	-	224,888
Bonds payable, net	161,807,855	160,000,000	321,807,855
Total noncurrent liabilities	162,032,743	160,000,000	322,032,743
Total liabilities	169,885,980	170,276,357	340,162,337
NET ASSETS			
Invested in capital assets, net of related debt	44,275,955	-	44,275,955
Restricted for debt service	5,523,733	8,853,837	14,377,570
Unrestricted	13,263,498	(8,438,327)	4,825,171
Total net assets	$ 63,063,186	$ 415,510	$ 63,478,696

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

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Convention Center	Hotel	Total
OPERATING REVENUES:			
Lease rent	$ 1,062,909	$ -	$ 1,062,909
Gain from center operations	574,503	-	574,503
Miscellaneous	29,570	-	29,570
Total operating revenues	1,666,982	-	1,666,982
OPERATING EXPENSES			
Salaries and fringe benefits	599,726	-	599,726
Insurances	299,328	-	299,328
Purchased services	465,551	855,891	1,321,442
Materials and supplies	719,109	47,411	766,520
Other	128,690	-	128,690
Total operating expenses	2,212,404	903,302	3,115,706
Operating loss before depreciation	(545,422)	(903,302)	(1,448,724)
Depreciation	8,775,322	-	8,775,322
Operating loss before nonoperating revenues and expenses	(9,320,744)	(903,302)	(10,224,046)
NONOPERATING REVENUES (EXPENSES)			
Hotel/motel excise tax	16,130,121	-	16,130,121
Decrease in fair value of investments	(178,912)	(1,431,896)	(1,610,808)
Interest earnings	744,157	2,123,366	2,867,523
Interest expense	(7,648,726)	(5,698,396)	(13,347,122)
Interest subsidy revenue	-	3,529,818	3,529,818
Total nonoperating revenues (expenses)	9,046,640	(1,477,108)	7,569,532
Loss before transfers	(274,104)	(2,380,410)	(2,654,514)
Transfers in	-	2,790,849	2,790,849
Transfers out	(2,790,849)	-	(2,790,849)
Change in net assets	(3,064,953)	410,439	(2,654,514)
Total net assets-beginning, as restated	66,128,139	5,071	66,133,210
Total net assets-ending	$ 63,063,186	$ 415,510	$ 63,478,696

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

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds		
	Convention Center	Hotel	Total
Cash Flows from Operating Activities			
Receipts from leases	$ 504,453	$ -	$ 504,453
Payments for professional services and operations	(1,560,419)	(822,146)	(2,382,565)
Payments to employees for services	(423,155)	-	(423,155)
Payments for retirement	(102,848)	-	(102,848)
Receipts from other	29,570	-	29,570
Net cash used in operating activities	(1,552,399)	(822,146)	(2,374,545)
Cash Flows from NonCapital Financing Activities			
Hotel/motel excise taxes received	17,161,804	-	17,161,804
Transfers in (out)	(2,790,849)	2,790,849	-
Net cash provided by noncapital financing activities	14,370,955	2,790,849	17,161,804
Cash Flows from Capital and related Financing Activities			
Purchases of capital assets	(2,149,778)	(49,478,591)	(51,628,369)
Proceeds from the sale of bonds	16,000,000	-	16,000,000
Cash paid on bond interest and fiscal charges	(7,817,194)	(10,082,384)	(17,899,578)
Cash paid on bond principal	(6,205,000)	-	(6,205,000)
Cash received from federal interest subsidy	-	3,529,818	3,529,818
Net cash used in capital and related financing activities	(171,972)	(56,031,157)	(56,203,129)
Cash Flows from Investing Activities			
Interest received from investments	777,356	2,450,371	3,227,727
Net investment sales/(purchases)	(13,797,390)	51,612,083	37,814,693
Net cash provided by (used in) investing activities	(13,020,034)	54,062,454	41,042,420
Net decrease in cash and cash equivalents	(373,450)	-	(373,450)
Cash- January 1	508,333	-	508,333
Cash- December 31	$ 134,883	$ -	$ 134,883
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$ (9,320,744)	$ (903,302)	$ (10,224,046)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	8,775,322	-	8,775,322
Increase in lease receivable	(568,456)	-	(568,456)
Increase in SMG receivable	(574,503)	-	(574,503)
Decrease in prepaid items and other	6,780	-	6,780
Increase in accounts payable	91,178	81,156	172,334
Increase in accrued liabilities and other	38,024	-	38,024
Total adjustments	7,768,345	81,156	7,849,501
Net cash used in operating activities	$ (1,552,399)	$ (822,146)	$ (2,374,545)
Noncash financing activities:			
Net amortization and accretion related to the capital debt	$ (169,555)	$ 46,195	$ (123,360)

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

THIS PAGE INTENTIONALLY LEFT BLANK

1. DESCRIPTION OF ENTITY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

- Management's Discussion and Analysis
- Basic financial statements
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement 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.

Measurement Focus – Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Changes in Net Assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The Statement of Cash Flows provides information on how the Authority finances and meets the cash flow needs of its enterprise activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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 and Cash Equivalents – For purposes of the Statement of Cash Flows, cash and cash equivalents includes demand deposits and investments with original maturities of less than three months, excluding STAR Ohio, trust funds, and retainage accounts, which are reported as investments.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Bond Discounts and Premiums – Bond discounts and premiums are being accreted or amortized using the straight-line method over the life of the bond issues.

Bond Issuance Costs – Bond issuance costs are deferred and amortized using the straight-line method over the life of the bond issues.

Deferred Loss on Advanced Refunding – The deferred loss on advanced bond refundings 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 applicable 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. At December 31, 2011, the Authority has net assets restricted for debt service of $5,523,733, and invested in capital assets, net of related debt of $44,275,955 in the Convention Center Fund, while the Hotel Fund has $8,853,837 restricted for debt service.

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

Interfund Activity – Exchange transactions between funds are reported as revenues in the seller funds and as expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as nonoperating revenues/expenses.

Transfers during the fiscal year are considered allowable based upon the Authority’s policies and the purpose of intended transfers.

Prepaid Items – Payments made to vendors for services that will benefit periods 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 the fiscal year.

3. DEPOSITS AND INVESTMENTS

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2011, the carrying amount of the Authority's deposits was $1,660,037, which includes $1,525,154 in retainage reported as Restricted Investments on the Statement of Net Assets, and the bank balance was $2,000,326. Of the bank balance, $561,182 was covered by Federal Deposit Insurance and $1,439,144 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.

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

Investments

The Authority has adopted a formal investment policy. The objectives of the policy are the preservation of capital and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. Funds are invested in accordance with Section 135 "Uniform Depository Act" of the Ohio Revised Code 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 Corp. (FHLMC) , Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Student Loan Marketing Association (SLMA), Government National Mortgage Association (GNMA), and other agencies or instrumentalities of the United States. Eligible investments include securities that may be "called" (by the issuer) prior to the final maturity date. All eligible investments may be purchased at a premium or a discount. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

3. DEPOSITS AND INVESTMENTS – CONTINUED

2. Commercial paper notes issued by companies incorporated under the laws of the United States; specific limitations apply as defined under Ohio Revised Code Section 135.14(B) (7).

3. Bankers acceptances issued by any domestic bank rated in the highest category by a nationally recognized rating agency; specific limitations apply as defined under Ohio Revised Code Section 135.14(B)(7).

4. Certificates of deposit from any eligible institution mentioned in Ohio Revised Code Section 135.32.

5. No-load money market mutual funds rated in the highest category by at least one nationally recognized rating agency, investing exclusively in the same types of eligible securities as defined in Ohio Revised Code Sections 135.14(B)(1) and 135.14(B)(2) and repurchase agreements secured by such obligations. Eligible money market funds shall comply with ORC Section 135.01 regarding limitations and restrictions.

6. Repurchase agreements with any eligible institutions mentioned in Ohio Revised Code Section 135.32, or any eligible securities dealer pursuant to Ohio Revised Code Section 135.32(J), except that such eligible securities dealers shall be restricted to primary government securities dealers. Repurchase agreements will settle on a delivery versus payment basis with collateral held in the safekeeping by a third party custodian. The market value of securities subject to a repurchase agreement must exceed the principal value of the repurchase agreement by at least two percent as defined under the Ohio Revised Code.

7. The state treasurer's investment pool (STAR Ohio), pursuant to Ohio Revised Code Section 135.45.

The Authority intends to hold its investments until maturity but reports the investments at fair value in accordance with GASB Statement No. 31 and discloses the investment according to risk in accordance with GASB Statement No. 40.

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

December 31, 2011		Credit		Maturity in Years	
	Fair Value	Rating	<1	1-3	>3
Convention Center Fund:					
STAR Ohio	14,541,988	AAAm	14,541,988	-	-
Money Market Funds	16,977,224	NR	16,977,224	-	-
Federal Agency Securities	20,791,780	AA+[1]	5,995,277	7,881,106	6,915,397
	52,310,992		37,514,489	7,881,106	6,915,397
Hotel Fund:					
STAR Ohio	42,948,054	AAAm	42,948,054	-	-
Federal Agency Securities	45,517,409	AA+[1]	38,829,664	6,687,745	-
	88,465,463		81,777,718	6,687,745	-
Totals	$ 140,776,455		$ 119,292,207	$ 14,568,851	$ 6,915,397

[1] Standard & Poors

3. DEPOSITS AND INVESTMENTS – CONTINUED

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

	Convention Center Fund	Hotel Fund
Per Deposits and Investments Note:		
Deposits	$ 142,883	$ 1,517,154
Investments	52,310,992	88,465,463
Totals	$ 52,453,875	$ 89,982,617
Per Statement of Net Assets:		
Cash and Cash Equivalents	$ 134,883	$ -
Investments	13,079,024	-
Restricted Investments	39,239,968	89,982,617
Totals	$ 52,453,875	$ 89,982,617

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011.

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

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

4. CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2011 is as follows:

Convention Center Fund	**Restated Beginning Balance**	**Additions**	**Disposals/ Transfers**	**Ending Balance**
Capital assets, not being depreciated:				
Land	$ 32,556,992	$ -	$ -	$ 32,556,992
Construction in progress	638,418	2,292,789	(1,391,615)	1,539,592
Total capital assets, not being depreciated	33,195,410	2,292,789	(1,391,615)	34,096,584
Capital assets, being depreciated				
Buildings & improvements	239,853,425	107,379	1,391,615	241,352,419
Improvements other than buildings	1,595,523	-	-	1,595,523
Major building equipment	8,449,743	-	-	8,449,743
Parking lot	1,144,557	-	-	1,144,557
Equipment & Furnishings	3,964,306	10,989	(33,045)	3,942,250
Total capital assets, being depreciated	255,007,554	118,368	1,358,570	256,484,492
Less accumulated depreciation for:				
Buildings & improvements	(92,911,493)	(8,408,960)	-	(101,320,453)
Improvements other than buildings	(787,201)	(65,513)	-	(852,714)
Major building equipment	(8,449,743)	-	-	(8,449,743)
Parking lot	(598,507)	(28,614)	-	(627,121)
Equipment & Furnishings	(2,046,603)	(272,235)	33,045	(2,285,793)
Total accumulated depreciation	(104,793,547)	(8,775,322)	33,045	(113,535,824)
Total capital assets, being depreciated,net	150,214,007	(8,656,954)	1,391,615	142,948,668
Total capital assets, net	$ 183,409,417	$ (6,364,165)	$ -	$ 177,045,252
Hotel Fund				
Capital assets, not being depreciated:				
Land	$ 300,513	$ -	$ -	$ 300,513
Construction in progress	18,503,854	60,131,164	-	78,635,018
Total capital assets, not being depreciated	$ 18,804,367	$ 60,131,164	$ -	$ 78,935,531

In February 2010, the Authority issued $160,000,000 in Series 2010 lease revenue anticipation bonds for the purpose of providing funds to (i) pay costs of constructing, equipping, and furnishing a full-service convention center hotel and auxiliary facilities, (ii) fund a bond reserve fund, (iii) pay capitalized interest through August 31, 2012, and (iv) pay costs incurred in connection with the issuance of the Series 2010 Bonds.

In accordance with Financial Accounting Standards Board Statement No. 62, from the date the debt was issued, the Authority capitalizes the net effect of interest expense and related interest revenue on the portion of the debt issued to fund the hotel construction project. Interest cost during the fiscal year was $10,082,384, of which $4,430,183 has been capitalized. Interest costs not capitalized are expensed.

5. LONG TERM OBLIGATIONS

Bonds outstanding at December 31, 2011 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Convention Center Fund					
Series 2002	$ 52,120,000	$ -	$ (4,850,000)	$ 47,270,000	$ 4,900,000
Series 2005	60,970,000	-	(755,000)	60,215,000	975,000
Series 2007	45,810,000	-	(600,000)	45,210,000	620,000
Series 2011	-	16,000,000	-	16,000,000	-
Total	158,900,000	16,000,000	(6,205,000)	168,695,000	6,495,000
Less:					
Unamortized premiums	5,563,980	-	(681,812)	4,882,168	-
Unamortized deferred costs	(5,715,703)	-	441,390	(5,274,313)	-
	(151,723)	-	(240,422)	(392,145)	-
Total Convention Center	158,748,277	16,000,000	(6,445,422)	168,302,855	6,495,000
Hotel Fund					
Series 2010	160,000,000	-	-	160,000,000	-
Grand Total	$ 318,748,277	$ 16,000,000	$ (6,445,422)	$ 328,302,855	$ 6,495,000

Series 2002

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 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.

Series 2005

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

The 2005 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,970,387. This difference, reported in the accompanying basic financial statements as a 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

Series 2007

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

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

Series 2010

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

Series 2011

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

Defeased Debt Outstanding

As noted above, the Authority has defeased various bond issues by creating separate irrevocable trust funds. When such debt has been issued, the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Authority's financial statements. As of December 31, 2011 the amount of defeased debt outstanding was $0.

Bond Principal and Interest Payments

Bonds mature on December 1. Interest on the term and serial bonds is payable semiannually on June 1 and December 1. Interest 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, 2011.

5. LONG TERM OBLIGATIONS – CONTINUED

Excise taxes and rents collected after the issuance date of the bonds, to the extent these taxes and rents are necessary to satisfy debt service requirements, are appropriated for principal and interest payments due and payable until the bonds are fully retired on December 1, 2042.

Principal and interest requirements to retire the Authority's bonds are as follows:

	Convention Center Fund		Hotel Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 6,495,000	$ 7,985,086	$ -	$ 10,082,384	$ 6,495,000	$ 18,067,470
2013	6,800,000	7,686,325	-	10,082,384	6,800,000	17,768,709
2014	7,135,000	7,349,700	-	10,082,384	7,135,000	17,432,084
2015	7,490,000	6,996,175	-	10,082,384	7,490,000	17,078,559
2016	9,237,000	6,614,425	2,365,000	10,082,384	11,602,000	16,696,809
2017-2021	47,445,000	27,333,750	14,390,000	48,541,592	61,835,000	75,875,342
2022-2026	60,030,000	15,174,780	19,530,000	44,177,689	79,560,000	59,352,469
2027-2031	16,121,000	3,190,410	26,340,000	37,445,121	42,461,000	40,635,531
2032-2036	3,506,000	1,937,850	35,155,000	27,812,781	38,661,000	29,750,631
2037-2041	4,436,000	1,113,435	46,265,000	14,843,388	50,701,000	15,956,823
2042	-	-	15,955,000	1,059,412	15,955,000	1,059,412
	$ 168,695,000	$ 85,381,936	$ 160,000,000	$ 224,291,903	$ 328,695,000	$ 309,673,839

6. RESTRICTED INVESTMENTS

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

In accordance with the Hotel Fund bond indenture, the Authority created the project construction and bond payment funds to provide for the payment of construction costs and bond principal and interest, as well as the debt service reserve fund and rental reserve fund to provide for the payment of bond principal and interest in the event the amount in the bond payment fund is insufficient. The debt service reserve and rental reserve requirements are both an amount equal to one-half of the maximum bond service charges payable with respect to the outstanding bonds during any bond year (excluding the final bond year), without regard to any optional redemption. The rental reserve requirement is not required to be funded until January 1, 2012.

6. RESTRICTED INVESTMENTS – CONTINUED

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

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

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

The balances in these funds at year-end, which are reported as Restricted investments in the Statement of Net Assets, as well as the required balances, were as follows:

	Convention Center Fund		Hotel Fund	
	Required Balance	Restricted Balance	Required Balance	Restricted Balance
Construction fund	$ 15,202,500	$ 15,202,500	$ 68,386,696	$ 68,386,696
Bond payment fund	1,168,290	1,168,290	6,369,739	6,369,739
Debt service reserve fund	14,021,800	14,463,451	6,391,264	6,725,602
Rental reserve fund	7,010,900	7,191,733	8,000,000	8,000,098
Revenue fund	1,213,994	1,213,994	-	-
Ground lease rents fund	-	-	500,482	500,482
Total	$ 38,617,484	$ 39,239,968	$ 89,648,181	$ 89,982,617

7. FACILITY OPERATOR AGREEMENTS

A. Convention Center

The management, operations and marketing of the Greater Columbus Convention Center (herein referred to as Convention Center) is facilitated through a Management Agreement with SMG. The Management Agreement was effective through December 31, 2009. The Authority extended the term of the agreement under the same terms and conditions for an additional two-year period commencing January 1, 2010 and ending December 31, 2011 by giving written notice of such extension to SMG. 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 expenses associated with operating the facility (i.e., salaries of permanent and temporary staff who orchestrate events and handle administrative functions; utility expenses; the promotion and advertising of the Convention Center; and general facility maintenance and repair expenses). Financial activity of the Convention Center is audited annually and reviewed by management.

Bottom line performance of the Convention Center is incorporated annually into the Authority’s basic financial statements as a reported change to gain/loss from center operations. The $716,824 receivable due to the Authority at year-end is comprised primarily of the excess of revenues over expenses from Convention Center operations for the year ended December 31, 2011. During the fiscal year, SMG paid the Authority $0 for amounts owed at December 31, 2010.

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

Year	Fixed Fee
2007	$275,000
2008-2011	Based upon prior year, as adjusted below by change in CPI-U

For each of the fiscal years during the main term (commencing with the 2008 fiscal year), the fixed fee shall be equal to the fixed fee for the immediately preceding fiscal year, increased or decreased by the lesser of (i) the percentage change in the CPI-U, during the one year period ending in November 30 immediately preceding such fiscal year, or (ii) three percent (3%). The foregoing annual fixed compensation shall be payable in equal monthly installments due on or before the last day of each month during such fiscal year.

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 70% of the fixed fee payable as discussed above. The qualitative incentive fee cannot exceed 30% of the fixed fee payable as discussed above and is based on various defined criteria including but not limited to client satisfaction exit surveys, community involvement of operator personnel, quality maintenance and operation of the facilities and compliance with the terms of the management agreement. SMG’s fees during the calendar year were $589,442.

7. FACILITY OPERATOR AGREEMENTS – CONTINUED

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

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

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

B. Hotel

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

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

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

7. FACILITY OPERATOR AGREEMENTS – CONTINUED

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

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

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

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

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

8. VACATION, SICK AND PERSONAL LEAVE

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

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

8. VACATION, SICK AND PERSONAL LEAVE - CONTINUED

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

	Beginning Balance	Earned	Used	Ending Balance
Fiscal Year 2011	$ 186,551	$ 71,695	$ (33,358)	$ 224,888

9. RISK MANAGEMENT

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

10. OPERATING LEASES

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

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

Columbus Hotel Community Urban Redevelopment Corporation

The Authority leases land to the Columbus Hotel Community Urban Redevelopment Corporation (the Hyatt) for a term that commenced on December 23, 1978 and ends on July 19, 2051, unless sooner terminated in accordance with the lease agreement. The Hyatt pays the Authority lease rent at the annual rate of $125,000. The Authority receives additional compensation from the Hyatt if the Hyatt meets certain targets for cash flow. Additional compensation for the fiscal year was $540,670. SMG, the Authority’s facility operator, also recorded revenues of approximately $1,139,688 during the fiscal year from Ohio Center Hotel Company, LTD. (an affiliate of Hyatt) for providing services consisting primarily of utilities, parking and meeting space rentals.

10. OPERATING LEASES - CONTINUED

Capital South Community Urban Redevelopment Corporation

On December 17, 1998, the Authority entered into a ground lease agreement with Capital South Community Urban Redevelopment Corporation (Capital South) upon which Capitol South would lease land from the Authority and subsequently sublease the land to Nationwide Arena, who constructed thereon a multi-purpose arena and related facilities. The initial term of the agreement commenced on September 7, 2000 and expires on a date that is 40 lease years following the commencement date, unless sooner terminated in accordance with the provisions of the grounds lease.

Capital South has the right and option to extend the term of the ground lease for two successive periods of five years. Each option to extend is exercisable by delivering written notice to the Authority at least two years prior to the scheduled expiration date of the initial term or first extension term.

Capital South shall pay the Authority base rent during the initial term of the ground lease. 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 $165,000 during the fiscal year.

In addition to the land lease agreement, the Authority has a total of approximately 10.2 acres of land, consisting of property received from the City of Columbus for corresponding vacated street right-of-ways, which can be purchased by Nationwide Arena and Nationwide Realty Investors. At the inception of this lease agreement, the parties agreed the land acquisition costs were equal to $11,438,722. Capital South agreed to contribute to the Authority a sum equal to the amount by which the land acquisition costs exceeded $10,000,000, receiving in return the right to apply the contributed amount to future arena land purchases.

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

Drury Inns, Inc.

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

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

10. OPERATING LEASES - CONTINUED

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

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

11. PENSION PLAN

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

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. Members in the state and local divisions may participate in all three plans.

The Authority's 2011 member and employer contribution rates were 10% and 14%, respectively, of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2011, 2010, and 2009 were $60,714, $56,938, and $53,549, respectively. Required contributions are equal to 100% of the dollar amount billed. In addition, through August 26, 2011, the Authority had elected to pay the employee share of OPERS. Required contributions to OPERS for Authority employees for the years ended December 31, 2011, 2010, and 2009 were $25,264, $40,670, and $38,245, respectively.

12. OTHER POST-EMPLOYMENT BENEFITS

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll of active members. In 2010, local employers contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to healthcare for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

12. OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

The rates stated above are the contractually required contribution rates for OPERS. The portion of the Authority's 2011, 2010, and 2009 required contributions that were used to fund post-employment benefits were $17,346, $20,624, and $22,469, respectively. 100 percent has been contributed for all three years.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, of each year from 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

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

14. DISAGGREGATED PAYABLE BALANCES

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

Accrued Salaries Payable	$ 16,367
Accrued Pension and Taxes Payable	14,022
Deferred Revenue - Land Lease	110,000
Accrued liabilities and other	$ 140,389

15. INTERFUND TRANSFERS

The Authority has committed $15 million of unrestricted net assets in the Convention Center Fund to various aspects of the Hotel Project. Interfund transfers during the calendar year are the result of this commitment. The Authority had transfers totaling $2,790,849 from the Convention Center Fund to the Hotel Fund during 2011.

16. CONTRACTUAL COMMITMENTS

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

Vendor	Contract	Amount	Outstanding
Strategic Advisory Group	Hotel Development/Consulting	$ 2,884,332	$ 357,733
HOK	Design Services	6,520,573	739,710
Purchasing Management	Procurement Services	230,185	38,234
Turner Construction	Construction Management Services	10,223,519	2,639,481
H.F. Lenz Company	LEED Commissioning Services	211,233	75,770
Teemock Construction	General Trades	887,449	442,833
Schindler Elevator	Elevators	1,884,800	1,053,208
McDaniel's Construction Corp.	Sitework/Foundations/Earth Retention	6,113,371	214,984
Accurate Electric	Electric and Communications	12,494,126	6,966,037
Baker Concrete	Structural Concrete	13,385,860	735,416
S.A. Comunale	Fire Protection	961,170	464,620
Julian Speer	Plumbing and HVAC	16,960,607	4,770,766
Concord Fabricators	Structural Steel	1,556,097	136,099
Teemock Construction	General Trades II	4,148,793	3,247,941
Wanner Metal Worx	Stairs/Railings/Misc. Metals	2,711,888	1,502,340
Anderson Aluminum	Curtainwall/windows/glazing	4,087,027	920,184
Stafford Smith	Food service equipment	1,360,820	1,264,601
Roschmann Steel and Glass	High Street bridge	3,310,200	2,858,809
United Skys	Skylight	933,610	110,849
Kalkreuth Roofing	Roofing/Metal Panels	2,668,429	2,076,982
Lang Masonry Contractors	Masonry	3,617,997	1,363,048
Norwood Hardware	Doors/frames/hardware	2,763,000	2,455,948
Brookside Construction	Landscaping	80,000	80,000
Acoustice Ceiling	Framing/drywall/ceiling	7,952,406	3,920,562
Architectural Graphics	Signage	456,626	456,626
Ebenisterie Beaubois	Casework/millwork/countertops	3,204,864	2,989,785
The Painting Company	Painting and wallcovering	1,329,011	1,211,104
RFC Contracting	Stone/Tile	3,754,000	2,756,720
Mid Americal Gunite Pools	Swimming Pool	434,440	434,440
Continental Office	Carpet Installation	885,403	885,403
Chemcote	East Lot Resurfacing	286,270	25,149
Signature Controls Systems	Parking equipment upgrade	934,016	545,947
Jay Carr Construction	Bathroom renovations	658,573	339,363
DC Byers	Vine Street garage repair	682,622	383,100
		$ 120,573,317	$ 48,463,792

The outstanding balance noted above represents the difference between the contract amount and amounts paid through the end of February 2012.

17. CHANGE IN ACCOUNTING POLICY

On February 22, 2011, the Authority's Board approved revisions made to the Authority's Capital Asset Policies and Procedures Manual. Prior to this revision, the capitalization threshold for office furniture and computer equipment was $1,000, which included group assets. Under the current policy, office furniture and computer equipment with a per unit cost less than $5,000 will be recorded only to the extent that Authority management deems the extended cost to be significant.

The effects of this change in accounting policy on the Authority's beginning net asset balances are as follows:

	Convention Center Fund
Net Assets, January 1, 2011	$ 67,886,828
Change in Accounting Policy	(1,758,689)
Net Assets, January 1, 2011, restated	$ 66,128,139

18. SUBSEQUENT EVENTS

A. SMG Management Agreement

On June 23, 2011, the Board approved an extension and modification of the SMG management agreement from January 1, 2012 through December 31, 2014, with an optional two-year renewal through December 31, 2016.

B. Nationwide Arena

In addition, at calendar year-end, the Authority was in negotiations for the purchase of Nationwide Arena. The Authority will be purchasing the physical facilities consisting of the arena, Ice Haus, parking garage, restaurant space and offices for $42.5 million. The Authority will borrow $32.5 million from Nationwide and $10 million from the State of Ohio to complete the purchase. At closing, the Authority will borrow an additional $11.7 million from Nationwide to cover 2012 expenses, capital reserves, and other transaction costs.

Beginning in calendar year 2013, the Authority will begin receiving a percentage of casino tax collections from the City and County. These collections will be used first to fund operations and capital improvements of the arena, and second to repay the loans noted above. If casino tax collections are insufficient, Nationwide has agreed to defer payments until revenues are available. There is no obligation on the part of the Authority to cover outstanding debt for the arena if casino tax collections prove inadequate.

THIS PAGE INTENTIONALLY LEFT BLANK

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

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

To the Board of Directors:

We have audited the financial statements of the business-type activities and each major fund of the Franklin County Convention Facilities Authority, Franklin County, (the Authority) as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 2, 2012. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We intend this report solely for the information and use of management, the audit committee, and the Board of Directors. We intend it for no one other than these specified parties.

Dave Yost
Auditor of State

April 2, 2012

FRANKLIN COUNTY CONVENTION FACILITIES AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 1, 2012