# *Columbus Municipal Airport Authority*

*Financial Statements for the Years Ended December 31, 2002 and 2001 and Supplemental Schedule for the Year Ended December 31, 2002 and Independent Auditors' Report and Office of Management and Budget Circular A-133 Reports for the Year Ended December 31, 2002*

**Auditor of State**
**Betty Montgomery**

Board of Directors
Columbus Municipal Airport Authority

We have reviewed the Independent Auditor's Report of the Columbus Municipal Airport Authority, Franklin County, prepared by Deloitte & Touche LLP for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 5, 2003

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

This Page is Intentionally Left Blank.

# COLUMBUS MUNICIPAL AIRPORT AUTHORITY

## TABLE OF CONTENTS

This Page is Intentionally Left Blank.

Deloitte & Touche LLP
155 East Broad Street
Columbus, Ohio 43215-3611

Tel: (614) 221-1000
Fax: (614) 229-4647
www.deloitte.com

Deloitte & Touche

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Columbus Municipal Airport Authority
Columbus, Ohio

We have audited the accompanying Statement of Net Assets of the Columbus Municipal Airport Authority (the "Authority"), a component unit of the City of Columbus, Ohio, as of and for the years ended December 31, 2002 and 2001 and the related statements of Revenues, Expenses, and Changes in Net Assets and of Cash Flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2002 and 2001 and its changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated March 8, 2003 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information included in the Supplemental Schedule of Revenues and Expenses – Budget vs. Actual – Budget Basis is presented for purposes of additional analysis and is not a required part of the financial statements of the Authority. The Supplemental Schedule of Revenues and Expenses – Budget vs. Actual – Budget Basis is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Deloitte & Touche LLP

March 8, 2003

## *MANAGEMENT'S DISCUSSION AND ANALYSIS*

The following Management's Discussion and Analysis (MD&A) of the Columbus Municipal Airport Authority's (the Authority) financial performance provides an introduction to the financial statements for the years ended December 31, 2002 and 2001. The information contained in this MD&A should be considered in conjunction with the information contained in the Authority's financial statements.

### *Overview of the Financial Statements*

The Authority's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets (except land) are capitalized and are depreciated over their useful lives. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Following this MD&A are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The *Statements of Net Assets* present information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Authority's financial position.

The *Statements of Revenues, Expenses, and Changes in Net Assets* present information showing how the Authority's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The *Statements of Cash Flows* relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

In addition to the basic financial statements and accompanying notes, this report also presents the *Supplemental Schedule of Revenues and Expenses – Budget vs. Actual – Budget Basis.*

*Financial Position*

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

| | 2002 | 2001 | % Change |
|---|---|---|---|
| ASSETS: | | | |
| Current Assets | $ 24,493,571 | $ 28,493,504 | (14.0) |
| Current Assets - Restricted | 102,787,630 | 102,139,526 | 0.6 |
| Total Capital Assets, Net | 330,205,669 | 310,796,461 | 6.2 |
| Other Assets | 6,943,526 | 6,318,105 | 9.9 |
| Total Assets | $464,430,396 | $447,747,596 | 3.7 |
| LIABILITIES: | | | |
| Current Liabilities | $ 16,193,859 | $ 14,133,182 | 14.6 |
| Liabilities Payable from Restricted Assets | 10,364,895 | 9,816,809 | 5.6 |
| Long-Term Liabilities | 136,834,501 | 144,719,441 | (5.4) |
| Total Liabilities | 163,393,255 | 168,669,432 | (3.1) |
| NET ASSETS: | | | |
| Invested in Capital Assets, Net of Related Debt | 193,788,769 | 167,446,751 | 15.7 |
| Restricted Net Assets | 100,076,734 | 99,326,717 | 0.8 |
| Unrestricted Net Assets | 7,171,638 | 12,304,696 | (41.7) |
| Total Net Assets | 301,037,141 | 279,078,164 | 7.9 |
| Total Liabilities and Net Assets | $464,430,396 | $447,747,596 | 3.7 |

2002 was the Authority's eleventh full year of operations. The Authority's assets exceeded liabilities by $301 million, a $21.9 million increase over December 31, 2001. The largest portion of the Authority's net assets each year ($193.8 million or 64% at December 31, 2002) represents its investment in capital assets, less the related debt outstanding used to acquire those capital assets. The Authority uses these capital assets to provide services to its passengers and visitors to the Airport; consequently these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Authority's net assets ($100.1 million or 33% at December 31, 2002) represents resources that are subject to restrictions on how they can be used. The restricted net assets are not available for new spending because they have already been committed as follows:

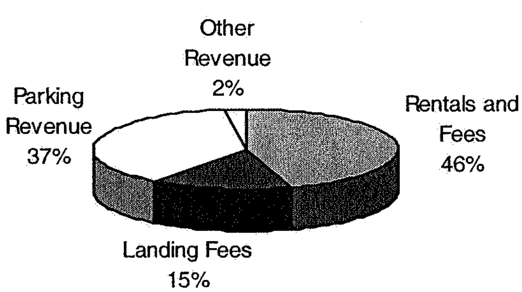
| | |
|---|---|
| Passenger Facility Charges | $ 40,020,265 |
| Capital Expenditures | 32,456,641 |
| Bond Reserves | 22,080,943 |
| Obligation Due To City | 5,518,885 |
| Total Restricted | $100,076,734 |

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

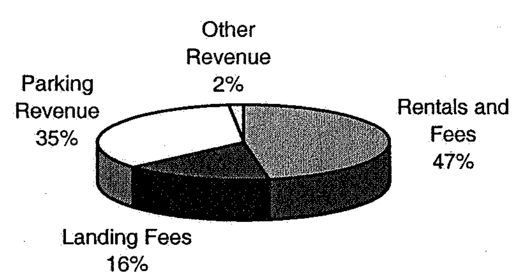
The following represents the Authority's summary of operating revenues by source for the years ended December 31:

| | 2002 | 2001 | % Change |
|---|---|---|---|
| Rentals and Fees | $ 22,839,514 | $ 26,247,454 | (13.0) |
| Landing Fees | 7,628,948 | 8,972,759 | (15.0) |
| Parking Revenue | 18,811,184 | 19,326,699 | (2.7) |
| Other Revenue | 1,159,963 | 906,181 | 28.0 |
| Total Operating Revenues | $ 50,439,609 | $ 55,453,093 | (9.0) |

**Revenues 2002**




**Revenues 2001**




- Rentals and Fees decreased 13% or $3.4 million. Some of the significant items are: Space Rental revenue decreased 32%, or $3.1 million, due to a decrease in operating revenues for the terminal building. General Aviation revenue increased 10%, or $227,000, due primarily to an increase in fees received from NetJets Aviation and Schottensteins Corporation, two tenants of the Authority. Lodging Rental revenue decreased 33%, or $286,000, due to decreases in commission revenues from the Hampton and Concourse hotels.

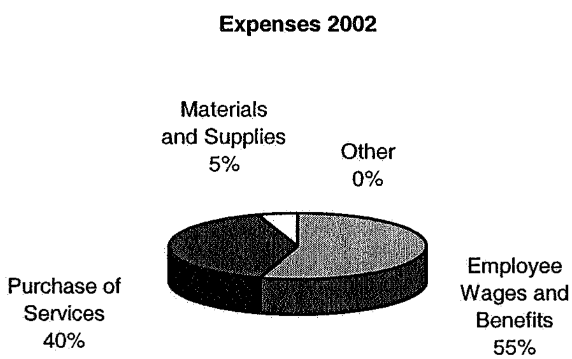
- Landing Fees decreased 15%, or $1.3 million, due to a decrease in the landing fee rate by $0.06 per thousand pounds and a decrease in landed weights of 3.7%.

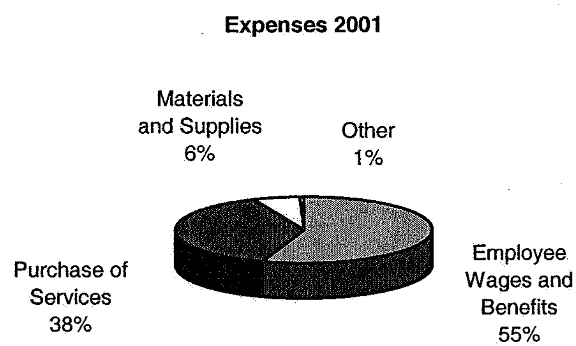
- Parking revenue decreased 2.7%, or $516,000, due to a reduction in the number of parking patrons by 16% in the long-term garage facility.

- Other Revenue increased 12%, or $254,000, due to an increase in terminal gate use fee income.

The following represents the Authority's summary of operating expenses before depreciation by source for the years ended December 31:

| | 2002 | 2001 | % Change |
|---|---|---|---|
| Employee Wages and Benefits | $17,515,769 | $15,732,275 | 11.3 |
| Purchase of Services | 12,839,439 | 10,929,216 | 17.5 |
| Materials and Supplies | 1,606,731 | 1,625,692 | (1.2) |
| Other Expenses | 1,360 | 175,419 | (99.2) |
| Total Operating Expenses | $31,963,299 | $28,462,602 | 12.3 |




- Employee Wages and Benefits increased 11%, or $1.8 million, due to additional security personnel cost of $764,000 and increased benefits (Workers' Compensation, Public Employees Retirement System and Employee Insurance) of $640,000.

- Purchase of Services expense increased 17%, or $1.9 million, due primarily to airport merger expenses of $419,000 and an increase in legal expenses by $314,000.

- Other Expenses decreased 99%, or $174,000, due to a decrease in bad debt expenses.

The following represents the Authority's summary of changes in net assets for the years ended December 31:

| | 2002 | 2001 | % Change |
|---|---|---|---|
| Total Operating Revenues | $ 50,439,609 | $ 55,453,093 | (9.0) |
| Total Operating Expenses | (31,963,299) | (28,462,602) | 12.3 |
| Operating Income before Depreciation | 18,476,310 | 26,990,491 | (31.6) |
| Depreciation | (14,967,012) | (25,165,629) | (40.5) |
| Operating Income | 3,509,298 | 1,824,862 | 92.3 |
| Non-Operating Revenue | 9,662,921 | 3,709,146 | 160.5 |
| Capital Contributions | 8,786,758 | 8,333,070 | 5.4 |
| Increase in Net Assets | 21,958,977 | 13,867,078 | 58.4 |
| Net Assets, Beginning of Year | 279,078,164 | 265,211,086 | 5.2 |
| Net Assets, End of Year | $301,037,141 | $279,078,164 | 7.9 |

- Depreciation expense decreased 41%, or $10.2 million, due to the Authority's adjustment made in 2001 as a result of reviewing the useful lives of Runways, Taxiways and Roadways. After consideration of this information, certain assets' lives were reduced from 40 years to 20 years. The effect of this change increased depreciation expense for 2001 by $14.1 million.

- Non-Operating revenue increased 161%, or $5.9 million, as a result of a decrease in Loss On Disposal of Assets of $3.2 million, an increase of Passenger Facility Charges of $2.6 million, and recognizing $2.0 million of revenue for a favorable settlement of a lawsuit against a rental car company. These increases to Non-Operating revenue were offset by a decrease in Interest Income of $2.1 million, due to securities maturing and a reduction in the interest rate received on invested cash funds.

*Budgetary Highlights*

The following represents the Authority's budget highlights for the year ended December 31:

| | Budget 2002 | Actual 2002 | % Change |
|---|---|---|---|
| Total Operating Revenues | $55,118,437 | $50,439,609 | (8.5) |
| Less Total Operating Expenses | 33,320,112 | 31,963,299 | (4.1) |
| Less Depreciation | 15,415,573 | 14,967,012 | (2.9) |
| Operating Income | 6,382,752 | 3,509,298 | (45.0) |
| Non-Operating Revenues | 8,704,703 | 9,662,921 | 11.0 |
| Income Before Capital Contributions | 15,087,455 | 13,172,219 | (12.7) |
| Total Adjustments | (8,367,184) | (7,976,751) | (4.7) |
| Net Income Adjusted to the Budgetary Basis of Accounting | $ 6,720,271 | $ 5,195,468 | (22.7) |

Operating revenues were below budget expectations by $4.7 million as a result of airline revenues being less than projected. Operating expenses were less than budget expectations by $1.4 million, and net income (adjusted to the budgetary basis) was below budget expectations by $1.5 million.

- Airline revenues were below the budgeted amount by 30%, or $6.2 million. The airline revenue consists of reimbursements the airlines make to the Authority for airline related operating expenses incurred by the Authority on their behalf. As a result of the events of September 11, 2001, the Authority proactively reduced certain airline related expenses, thus reducing the operating costs to the airline and therefore reducing the airline revenues due to the Authority.

- Parking revenues exceeded the budgeted amount by 1.4%, or $267,000, due to a slightly higher than anticipated number of parking patrons.

- Employee Wages and Benefits were below the budgeted amount by 4.3%, or $787,000, due to certain budgeted positions remaining unfilled during the year.

- Materials and Supplies were below the budgeted amount by 19%, or $370,000, due primarily to savings of 54% in building maintenance supplies and 47% savings in snow removal supplies.

- Interest Income was below the budgeted amount by 31%, or $592,000, due to lower than anticipated interest rates experienced.

- Other Non-Operating Revenue exceeded the budgeted amount by $2,360,000 due to recognizing $2.0 million of revenue for a favorable settlement of a lawsuit against a rental car company and reimbursements of $380,000 from the Transportation Security Administration for security related expenditures.

- Passenger Facility Charges (PFC's) were below the budgeted amount by 7.9%, or $1.1 million, due to lower passenger traffic than projected.

Amortization of Deferred Charges and Loss on Disposal of Assets are not reimbursable items under the current airline agreement and are not budgeted. Additional information on the Authority's budgetary data may be found on the Supplemental Schedule of Revenues and Expenses – Budget vs. Actual – Budget Basis in this report.

## *Capital Assets*

The Authority's capital assets as of December 31, 2002, amounted to $330.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, runways, taxiways and roads, machinery and equipment, and furniture and fixtures. The total increase in the Authority's investment in capital assets before accumulated depreciation for 2002 was 7.6%, or $32.2 million.

Major capital projects-in-progress and expenditures incurred during 2002 included the following:

| | |
|---|---|
| • Concourse 'C' 5 Gate Construction | $11,998,000 |
| • Terminal Apron Rehabilitation and Glycol Retention | $ 5,854,000 |
| • Concourse 'C' Apron Expansion | $ 4,195,000 |
| • North Parallel Taxiway Construction | $ 3,152,000 |

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Acquisitions are funded using a variety of financing techniques, including Federal grants, State grants, Passenger Facility Charges, Debt issuance, and Authority revenues. Additional information on the Authority's capital assets can be found in Note 2 of the accompanying notes.

## *Debt Administration*

City of Columbus General Obligation Bonds

In 1991, the Authority entered into a long-term Airport Operation and Use Agreement with the City of Columbus (the City). This agreement requires the Authority to make payments, which match exactly in timing and amount the debt service payments by the City on general obligation bonds previously issued in connection with the Airports. The term of the agreement is fifty years, commencing on November 10, 1991, the transfer date.

Balance outstanding as of December 31, 2002 - $18,445,000

City of Columbus Long-Term Borrowing

The Authority owed the City of Columbus $4 million for past operating advances incurred by the airports prior to the creation of the Authority. This amount has been classified as a non-current liability because management believes that this amount will not be repaid in 2003.

Balance outstanding as of December 31, 2002 - $4,000,000

Airport Improvement Revenue Bonds, Series 1994A

On August 1, 1994, the Authority issued its Airport Improvement Revenue Bonds, Series 1994A in the principal amount of $37,160,000, in varying maturities up to thirty years. With this initial financing, the Authority introduced itself to the bond market as a strong credit and laid a solid foundation for future financings. The market responded positively and the bonds were sold at a composite interest rate (all-in) of 6.46%, with annual debt service of approximately $2.8 million.

Balance outstanding as of December 31, 2002 - $33,425,000

Airport Improvement Revenue Bonds, Series 1998AB
On March 10, 1998, the Authority issued Airport Improvement Revenue Bonds, Series 1998AB in the principal amount of $87,290,000, in varying maturities up to thirty years. The Bonds were sold at a composite interest rate of 5.17%, with annual debt service beginning in 2000 of $3.9 million and leveling at $5.9 million in 2002 through 2028.

Balance outstanding as of December 31, 2002 - $85,655,000

Airport Improvement Revenue Bonds, Series 2001A
On June 1, 2001, the Authority issued Airport Improvement Revenue Bonds, Series 2001A in the principal amount of $3,265,600. The bonds are due at maturity or through mandatory sinking fund redemption requirements through July 1, 2011, with annual debt service of $245,800, increasing to $491,600.

Balance outstanding as of December 31, 2002 - $2,936,600

Bond principal and interest are paid from the general revenues of the Authority. Additional details may be found in Note 7 of the accompanying notes.

## *Passenger Facility Charge (PFC)*

In October 1992, the Authority received approval from the Federal Aviation Administration (the FAA) to impose a PFC of $3.00 per enplaned passenger. Through December 31, 2002, the Authority has collected PFCs, including interest earnings thereon, totaling $104.3 million. In January 2002 the FAA approved the Authority's request to increase the PFC level to $4.50 on eligible projects. The new collection rate commenced on April 1, 2002. The revised approved amount is $128.4 million, to be collected through June 1, 2004.

## *Airline Rates and Charges*

The Authority and certain airlines negotiated an agreement effective January 1, 2000 for five years, which in part establishes how the airlines that sign the agreement will be assessed annual rates and charges for their use of Port Columbus International Airport. Landing fees and terminal rental rates for non-signatory airlines are assessed at 150 percent of the signatory rates.

The rates and charges billed to the signatory airlines were as follows:

| | 2002 | 2001 | % Change |
|---|---|---|---|
| Landing Fees (per 1,000 lbs) | $1.95 | $2.01 | (3.1) |
| Terminal Rental Rate (Average) | $46.78 | $43.65 | 6.7 |
| Apron Fee – Square Foot Rate component | $1.18 | $1.19 | (0.9) |
| Apron Fee – Landed Weight Rate component (per 1,000 lbs) | $0.25 | $0.22 | 12.0 |

## *Significant Events*

THE EVENTS OF SEPTEMBER 11, 2001

As a result of the September 11, 2001 tragic events, the air transportation system was disrupted leading to an abrupt two-day closing of America's airports. Since then, sharp decreases in passenger volume reduced airline revenue. The Federal government subsequently passed the $15 billion Air Transportation Safety and Stabilization Act on September 22, 2001, which provided for financial assistance to the Airlines. In addition, several Federal grants were made available to airports as a reimbursement of certain security project costs that the Authority has incurred or will incur during the period September 11, 2001 through September 30, 2002. The Authority received a Federal grant in the amount of $751,348 for reimbursement of projects relating to additional security measures being undertaken to comply with heightened security requirements. The Authority also received a Federal grant in the amount of $616,555 for reimbursement of various operational and small capital cost.

PORT AUTHORITY CONSOLIDATION AND JOINDER AGREEMENT

The County of Franklin, Ohio (the County) Board of Commissioners approached the Mayor and officials of the City of Columbus, Ohio (the City) with the idea of creating one port authority in the summer of 2001 to oversee the airports currently managed by the Authority and Rickenbacker Port Authority (RPA). The County and the City formed a committee, the Regional Port Authority Study Committee (RPASC), to evaluate the structure of the current central Ohio port authorities and explore the possibilities of creating a single regional authority. The RPASC concluded that there appeared to be potential for achieving cost savings, operational efficiencies and other intangible synergies by creating a single regional airport authority. The Authority concurred with the findings and recommendations of the RPASC for completing additional due diligence and finalizing an agreement with the City and the County to create a merged regional airport authority to oversee the operation of Rickenbacker, Port Columbus International, and Bolton Field airports. Under this agreement RPA would be dissolved, the Authority would be the surviving entity and would be renamed The Columbus Regional Airport Authority (CRAA). On December 12, 2002, the City, the Authority and the County entered into the Port Authority Consolidation and Joinder Agreement with an effective date of January 1, 2003. Additional information may be found in Note 13 of the accompanying notes to the financial statements.

## COLUMBUS MUNICIPAL AIRPORT AUTHORITY

Statements of Net Assets

As of December 31, 2002 and 2001

| | 2002 | 2001 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Unrestricted Assets: | | |
| Cash and Cash Equivalents - Cash and Investments | $ 18,289,959 | $ 23,051,701 |
| Accounts Receivable - Trade | 4,502,136 | 4,695,219 |
| Accounts Receivable - Other | 573,722 | - |
| Direct Financing Leases Receivable | 490,804 | 490,804 |
| Deposits, Prepaid Items and Other | 636,950 | 255,780 |
| Total Unrestricted Assets | 24,493,571 | 28,493,504 |
| Restricted Assets: | | |
| Cash and Cash Equivalents - Cash and Investments | 100,522,972 | 100,213,175 |
| Other Receivables | 2,264,658 | 1,926,351 |
| Total Restricted Assets | 102,787,630 | 102,139,526 |
| Total Current Assets | 127,281,201 | 130,633,030 |
| NON-CURRENT ASSETS: | | |
| Deferred Charges (Net of Accumulated Amortization of $903,667 for 2002 and $737,228 for 2001) | 1,857,135 | 2,023,574 |
| Accounts Receivable - Other | 1,282,664 | - |
| Direct Financing Leases Receivable | 3,803,727 | 4,294,531 |
| Capital Assets - (Includes Annual Capitalized Interest Costs of $581,458 for 2002 and $346,098 for 2001): | | |
| Land | 24,719,836 | 20,859,774 |
| Buildings and Building Improvements | 252,585,223 | 237,915,611 |
| Runways, Taxiways and Other | 150,914,408 | 141,470,580 |
| Machinery and Equipment | 18,663,365 | 17,185,047 |
| Furniture and Fixtures | 727,371 | 750,608 |
| Construction In Progress | 11,118,065 | 8,343,603 |
| Total Capital Assets | 458,728,268 | 426,525,223 |
| Less Accumulated Depreciation | (128,522,599) | (115,728,762) |
| Total Capital Assets (Net of Accumulated Depreciation) | 330,205,669 | 310,796,461 |
| Total Non-Current Assets | 337,149,195 | 317,114,566 |
| **TOTAL ASSETS** | $ 464,430,396 | $ 447,747,596 |

*See accompanying notes to the financial statements*

## COLUMBUS MUNICIPAL AIRPORT AUTHORITY

Statements of Net Assets (Continued)

As of December 31, 2002 and 2001

| | 2002 | 2001 |
|---|---|---|
| **LIABILITIES** | | |
| CURRENT LIABILITIES: | | |
| Payable from Unrestricted Assets: | | |
| Accounts Payable - Trade | $ 4,369,973 | $ 6,381,851 |
| Accrued Interest Payable | 3,148,544 | 3,191,985 |
| Accrued and Withheld Employee Benefits | 2,634,306 | 2,536,192 |
| Unearned Income | 164,244 | 164,244 |
| Other Accrued Expenses | 5,876,792 | 1,858,910 |
| Total Payable from Unrestricted Assets | 16,193,859 | 14,133,182 |
| Payable from Restricted Assets: | | |
| Accounts Payable | 1,126,335 | 1,084,571 |
| Retainages on Construction Contracts | 1,086,807 | 1,100,410 |
| Accrued Interest Payable | 338,572 | 429,857 |
| Customer Deposits and Other | 159,181 | 197,971 |
| Current Portion of Long-Term Debt | 7,654,000 | 7,004,000 |
| Total Payable from Restricted Assets | 10,364,895 | 9,816,809 |
| Total Current Liabilities | 26,558,754 | 23,949,991 |
| NON-CURRENT LIABILITIES: | | |
| Unearned Income | 1,135,001 | 1,437,131 |
| Long-Term Debt, Less Current Portion, Net | 131,699,500 | 139,282,310 |
| Other Long-Term Borrowing | 4,000,000 | 4,000,000 |
| Total Non-Current Liabilities | 136,834,501 | 144,719,441 |
| Total Liabilities | 163,393,255 | 168,669,432 |
| **NET ASSETS** | | |
| Invested in Capital Assets, Net of Related Debt | 193,788,769 | 167,446,751 |
| Restricted: | | |
| Capital Expenditures | 32,456,641 | 38,375,659 |
| Passenger Facility Charges | 40,020,265 | 34,358,592 |
| Bond Reserves | 22,080,943 | 20,850,750 |
| Obligation Due To City | 5,518,885 | 5,741,716 |
| Total Restricted Net Assets | 100,076,734 | 99,326,717 |
| Unrestricted Net Assets | 7,171,638 | 12,304,696 |
| Total Net Assets | 301,037,141 | 279,078,164 |
| Commitments and Contingencies | | |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 464,430,396 | $ 447,747,596 |

**COLUMBUS MUNICIPAL AIRPORT AUTHORITY**

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended December 31, 2002 and 2001

| | 2002 | 2001 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Rentals and Fees | $ 22,839,514 | $ 26,247,454 |
| Landing Fees | 7,628,948 | 8,972,759 |
| Parking Revenue | 18,811,184 | 19,326,699 |
| Other Revenue | 1,159,963 | 906,181 |
| Total Operating Revenues | 50,439,609 | 55,453,093 |
| **OPERATING EXPENSES** | | |
| Employee Wages and Benefits | 17,515,769 | 15,732,275 |
| Purchase of Services | 12,839,439 | 10,929,216 |
| Materials and Supplies | 1,606,731 | 1,625,692 |
| Other Expenses | 1,360 | 175,419 |
| Total Operating Expenses | 31,963,299 | 28,462,602 |
| **OPERATING INCOME BEFORE DEPRECIATION** | 18,476,310 | 26,990,491 |
| Depreciation | 14,967,012 | 25,165,629 |
| **OPERATING INCOME** | 3,509,298 | 1,824,862 |
| **NON-OPERATING REVENUES (EXPENSES)** | | |
| Investment Income: | | |
| Interest Income | 1,310,058 | 3,411,150 |
| Net Increase in the Fair Value of Investments | - | 153,804 |
| Other Non-Operating Revenue | 2,384,586 | 287,500 |
| Passenger Facility Charges | 13,350,787 | 10,750,429 |
| Interest Expense | (7,178,961) | (7,474,556) |
| Amortization of Deferred Charges | (131,994) | (127,850) |
| Loss on Disposal of Assets | (71,555) | (3,291,331) |
| Total Non-Operating Revenues | 9,662,921 | 3,709,146 |
| **INCOME BEFORE CAPITAL CONTRIBUTIONS** | 13,172,219 | 5,534,008 |
| Capital Contributions | 8,786,758 | 8,333,070 |
| **CHANGES IN NET ASSETS** | | |
| Increase in Net Assets | 21,958,977 | 13,867,078 |
| Total Net Assets, Beginning of Year | 279,078,164 | 265,211,086 |
| **Total Net Assets, End of Year** | $ 301,037,141 | $ 279,078,164 |

## COLUMBUS MUNICIPAL AIRPORT AUTHORITY

Statements of Cash Flows

For the Years Ended December 31, 2002 and 2001

| | 2002 | 2001 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash Received from Customers | $ 48,776,306 | $ 55,038,982 |
| Cash Paid to Employees | (17,417,655) | (15,208,577) |
| Cash Paid to Suppliers | (12,860,126) | (9,160,576) |
| Other Payments | (1,360) | (175,420) |
| Net Cash Provided by Operating Activities | 18,497,165 | 30,494,409 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Purchases of Property, Plant and Equipment | (34,851,795) | (28,612,905) |
| Contributed Capital and Passenger Facility Charges | 21,799,238 | 19,399,615 |
| Principal Payments on Bond, Notes and Loan | (7,004,000) | (6,395,000) |
| Interest Paid on Bonds and Loan | (7,208,052) | (7,608,063) |
| Proceeds from Series 2001A Bonds | - | 3,265,600 |
| Direct Financing Leases | - | (3,265,600) |
| Proceeds from the Sale of Capital Assets | 423,328 | 19,706 |
| Principal Payments from Direct Financing Leases | 326,560 | 81,640 |
| Effective Interest on Direct Financing Leases | (137,886) | - |
| Other Cash Flows from Capital and Related Financing Activities | 2,393,439 | 287,500 |
| Net Cash Used by Capital and Related Financing Activities | (24,259,168) | (22,827,507) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from Maturity of Investment Securities | - | 10,227,055 |
| Interest Received on Cash and Investments | 1,310,058 | 3,642,033 |
| Net Cash Provided by Investing Activities | 1,310,058 | 13,869,088 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (4,451,945) | 21,535,990 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 123,264,876 | 101,728,886 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 118,812,931 | $ 123,264,876 |

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities:**

| | 2002 | 2001 |
|---|---|---|
| Operating Income | $ 3,509,298 | $ 1,824,862 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 14,967,012 | 25,165,629 |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable-Trade | 193,083 | (414,112) |
| Accounts Receivable-Other | (1,856,386) | |
| Deposits, Prepaid Items and Other | (381,170) | (24,718) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (2,011,878) | 4,325,283 |
| Accrued Liabilities | 4,115,996 | (409,802) |
| Customer Deposits | (38,790) | 27,267 |
| **Net Cash Provided by Operating Activities** | $ 18,497,165 | $ 30,494,409 |

**Non Cash Investing Activities:**

The Net Increase in the Fair Value of Investments was $153,804 for 2001.

The accounting methods and procedures adopted by the Columbus Municipal Airport Authority (the Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The following notes are an integral part of the Authority's financial statements.

Note 1 - Organization and Reporting Entity

**Organization**

The Authority is an independent, special purpose political subdivision of the State of Ohio. The Authority was created on July 30, 1990, pursuant to the provisions of Chapter 4582, Ohio Revised Code (ORC), as a body corporate and politic. On November 10, 1991, the transfer date, the Authority began operations under a use agreement with the City of Columbus (City) for the purpose of providing airport facilities to the general public. On this date the City transferred the use of all assets and liabilities of the Airport enterprise fund to the Authority. This transfer was recorded at the net book value. As a political subdivision, the Authority is distinct from, and is not, an agency of the State of Ohio or any other local governmental unit.

The Authority is governed by a nine member Board of Directors (the Board) appointed by the Mayor of the City with the advice and consent of the City Council. The members first appointed serve staggered terms. Thereafter, each successor serves for a term of four years, except that any person appointed to fill a vacancy is to be appointed to serve only the unexpired term. Members of the Board are eligible for reappointment. The Board controls the employment of the Executive Director of the Authority who is responsible for staffing the respective departments and overseeing the day-to-day operations.

The Authority administers an airport system comprised of Port Columbus International and a reliever airport, Bolton Field.

The Authority is not subject to Federal, state or local income taxes or sales taxes.

**Reporting Entity**

The Authority's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "*The Reporting Entity*." The financial statements include all departments and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organizations other than the Authority itself are included in the financial reporting entity.

The Authority's Board is appointed by the Mayor of the City with the advice and consent of City Council. As of December 31, 2002, the Authority has a liability to the City in the amount of $4,000,000 for past operating advances. Under GASB Statement No. 14 this is considered to be a financial burden on the City; also the City can impose its will on the Authority through the appointment of the members of the Board of Directors. Therefore, the Authority is a component unit of the City whose financial statements are discretely presented in the City's basic financial statements.

Note 2 - Summary of Significant Accounting Policies

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenues from rental and fees, landing fees, parking revenue and other miscellaneous revenue are reported as operating revenues. Transactions, which are capital, financing or investing related, are reported as non-operating revenues. Passenger Facility Charges are reported as non-operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*" the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Budgetary Data**

The Authority's budgetary basis of accounting is maintained on a modified accrual basis. This basis of accounting differs from GAAP in that certain expenditures are reported as expenses on a cash basis. This would include an expense classification for the principal portion of debt service payable during the year or immediately after year end and some capital assets expected to be acquired. Amortization of Deferred Charges and Loss on Disposal of Assets are not budgeted. All other revenues and expenses are reported on the accrual basis. State statute does not require a specific budgetary basis of accounting under ORC Section 4582. The Authority has adopted this basis of accounting to comply with certain airline agreements currently in effect.

The budgetary process begins in June of each year. Each department manager estimates the expected costs to be incurred for the upcoming year. Revenues are estimated based on history, projected increases, and market trends within the aviation industry. The Executive Director is responsible to submit budgets for operating revenues and expenses and capital improvements to the Board for approval at least sixty days prior to the beginning of each fiscal year. The budget can be amended by the Board subsequent to its adoption. The 2002 budget was not revised.

In 2002, the unfavorable variances for Amortization of Deferred Charges and Loss on Disposal of Assets were due to the fact that these items are not reimbursable items under the current airline agreement and are not budgeted. The unfavorable variance in Rental and Fees was due to the Authority proactively reducing certain airline related expenses as a result of the events of September 11, 2001, thereby reducing the operating cost to the airlines and reducing the airline revenues due to the Authority. Lower passenger traffic due to the events of September 11, 2001, resulted in unfavorable variances in Passenger Facility Charges and Landing Fees. Interest Income was below the budgeted amount due to lower than anticipated interest rates.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

### Investments

Investments are stated at fair value in accordance with GASB Statement No. 31.

### Capital Contributions

Certain expenditures for airport capital improvements are significantly Federally funded through the Airport Improvement Program of the Federal Aviation Administration (FAA) with certain matching funds provided by the State of Ohio and the Authority, or from various state or federal grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for the acquisition and construction of land, property and certain types of equipment are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenue and expenses as capital contributions.

### Receivables

Receivables are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables are reduced by the estimated portion that is expected to be uncollectible. This estimate is made based on collection history, aviation industry trends and current information regarding the credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected.

An estimated receivable amount has been recorded for services rendered but not yet billed as of December 31, 2002 and 2001. The receivable was arrived at primarily by taking the subsequent collection of landing fees, commissions, and real estate taxes, which are received after year end, and recording the portions earned at year end.

**Restricted Assets**

Restricted assets consist of monies and other resources, which are restricted legally or by enabling legislation. These restrictions are described below:

**Restricted for Obligation Due to City** - These assets are restricted for the payment of the current obligation due to City.

**Restricted for Capital Expenditures and Construction Retainages** - These assets are restricted for certain capital projects and cannot be expended on any other item.

**Restricted for Bond Reserves** - These assets are restricted for the retirement of the Airport Improvement Revenue Bonds, Series 1994A, 1998A and 1998B.

**Restricted for Passenger Facility Charges** - These assets represent Passenger Facility Charge (PFC) collections based on an approved FAA application to impose such charges on enplaned passengers at the Airport. These are restricted for designated capital projects.

**Capital Assets**

Capital assets are stated at historical cost or estimated historical cost and include expenditures which substantially increase the useful lives of existing assets. The Authority's policy is to capitalize assets with a cost of $1,000 or more. Routine maintenance and repairs are expensed as incurred. In accordance with FASB Statements No. 34 and 62, "*Capitalization of Interest Costs*" and "*Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*," certain net interest costs have been included as a component of the asset under construction rather than reported as an expense of the period.

## COLUMBUS MUNICIPAL AIRPORT AUTHORITY

Notes to Financial Statements
December 31, 2002 and 2001

| | Total 12/31/01 | Additions | Deletions | Total 12/31/02 |
|---|---|---|---|---|
| Capital Assets: | | | | |
| Land | $ 20,859,774 | $4,242,420 | $ (382,358) | $ 24,719,836 |
| Buildings | 237,915,611 | 14,808,109 | (138,497) | 252,585,223 |
| Runways & Other | 141,470,580 | 11,156,756 | (1,712,928) | 150,914,408 |
| Machinery | 17,185,047 | 1,922,341 | (444,023) | 18,663,365 |
| Furniture | 750,608 | 57,508 | (80,745) | 727,371 |
| CIP | 8,343,603 | 11,118,065 | (8,343,603) | 11,118,065 |
| Total Capital Assets | 426,525,223 | 43,305,199 | (11,102,154) | 458,728,268 |
| Less Accumulated Depreciation: | | | | |
| Buildings | 54,018,633 | 6,127,734 | (170,387) | 59,975,980 |
| Runways & Other | 52,111,521 | 7,155,825 | (1,562,022) | 57,705,324 |
| Machinery | 9,074,621 | 1,613,898 | (369,715) | 10,318,804 |
| Furniture | 523,987 | 69,555 | (71,051) | 522,491 |
| Total Accumulated Depreciation | 115,728,762 | 14,967,012 | (2,173,175) | 128,522,599 |
| Net Capital Assets | $310,796,461 | $28,338,187 | $(8,928,979) | $330,205,669 |

Depreciation of property and equipment is computed under the straight-line method at various rates considered adequate to allocate the cost over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

| | Years |
|---|---|
| Buildings and Building Improvements | 5-40 |
| Runways, Taxiways and Other | 20 |
| Machinery and Equipment | 5-10 |
| Furniture and Fixtures | 7 |

Effective January 1, 2001, the Authority changed its accounting estimates relating to depreciation as a result of the reevaluation of the useful lives of Runways, Taxiways and Other. After consideration of industry standards and historical replacement information, these assets' lives were reduced from 40 years to 20 years. The effect of this change in estimate increased depreciation expense for the year ended December 31, 2001 by $14,120,320 and reduced Operating Income by the same amount.

**Compensated Absences**

In conformity with GASB Statement No. 16, "*Accounting for Compensated Absences*," the Authority accrues vacation and sick pay benefits as earned by its employees utilizing the vesting method. As of December 31, 2002 and 2001, this liability was $1,830,340 and $1,608,162, respectively.

**Risk Management**

It is the policy of the Authority to eliminate or transfer risk. Where possible, lease agreements contain insurance requirements and hold harmless clauses. Contractors are required to maintain appropriate amounts of insurance and bonding. The Authority does not self-insure any risk resulting from acts of God, injury to employees, or breach of contract.

The Authority carries property insurance on airport property and equipment in the aggregate sum of approximately $343 million. The Authority carries liability insurance coverage in the amount of approximately $212 million. There have been no significant changes in coverage or settlements in excess of insurance coverage during the past three years.

**Pension Plans**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred (See Note 8).

**Revenue**

Rental income is recorded from the majority of leases maintained by the Authority which are accounted for as operating leases. Rental income is generally recognized as it is earned over the respective lease terms.

Other types of revenue are recognized when earned, as the underlying exchange transaction occurs.

Landing fees are based upon projections of operations and are recalculated annually.

**Passenger Facility Charges**

Passenger facility charges (PFCs), along with related interest income, will be recognized and recorded in the year the PFC is levied and collected by the air carrier, net of an allowance for estimated ticket refunds.

PFC monies are legally restricted for capital projects and related expenditures, and cannot be used for any other purpose. The PFC monies will be used to assist in funding an ambitious capital improvement program involving a concourse expansion, runway, taxiway and apron improvements, the funding of debt service associated with these projects and various other projects.

**Interest Rate Swaps**

The Authority has entered into an interest rate swap agreement to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from this agreement, no amounts are recorded in the financial statements.

**Reclassifications**

Certain amounts in the 2001 financial statements have been reclassified to conform with the 2002 presentation.

Note 3 - Cash and Cash Equivalents

The Authority follows the provisions of GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", and records all investments at their fair value.

The investment and deposit of Authority monies is governed by the provisions of the ORC. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's Asset Reserve (STAR Ohio) investment pool, and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days. The Authority has an investment policy consistent with Ohio Senate Bill 81.

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 generally consistent with 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, 2002.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Authority's name.

During 2002 and 2001, the Authority complied with the provisions of these statutes.

**Deposits with Financial Institutions**

At December 31, 2002, the carrying amount of the Authority's deposits with financial institutions was $1,726,070 and the bank balance was $4,287,101. Based upon criteria described in GASB

Statement No. 3 *"Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements"*, $284,670 of the bank balance was covered by deposit insurance provided by the FDIC; and $4,002,431 was uncollateralized as defined by the GASB. These uncollateralized deposits were, however, covered by a pledged collateral pool in accordance with the ORC as discussed above.

At December 31, 2001 the carrying amount of the Authority's deposits with financial institutions was $1,693,931 and the bank balance was $1,379,393. Based upon criteria described in GASB Statement No. 3, *"Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements"*, $300,000 of the bank balance was covered by deposit insurance provided by the FDIC; and $1,079,393 was uncollateralized as defined by the GASB. These uncollateralized deposits were, however, covered by a pledged collateral pool in accordance with the ORC as discussed above.

In addition, the Authority had $3,490 and $4,890 in cash on hand at December 31, 2002 and 2001, respectively.

**Investments**

The Authority's investments are categorized in accordance with the criteria established by the GASB to give an indication of the level of risk assumed as of December 31, 2002 and 2001. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority's name. Deposits and equities in pools of funds managed by other governmental units are not categorized.

Investments are detailed and categorized as follows as of December 31, 2002:

| Description | Category 1 | Category 2 | Category 3 | Fair Value |
|---|---|---|---|---|
| Unrestricted-Repurchase Agreement | - | - | $4,496,546 | $ 4,496,546 |
| Total | - | - | $4,496,546 | |
| Investment in Money Market Account | | | | 21,229,530 |
| Investment in STAR Ohio | | | | 91,357,295 |
| Total Investments | | | | $117,083,371 |

Investments are detailed and categorized as follows as of December 31, 2001:

| Description | Category 1 | 2 | 3 | Fair Value |
|---|---|---|---|---|
| Unrestricted-Repurchase Agreement | - | - | $2,987,468 | $ 2,987,468 |
| Total | - | - | $2,987,468 | |
| Investment in Money Market Account | | | | 21,705,898 |
| Investment in STAR Ohio | | | | 96,872,689 |
| Total Investments | | | | $121,566,055 |

**Off-Balance Sheet Risk**

The Authority's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest rate movements and fluctuations embodied in forward, futures, commodity or security prices. Market risk is directly impacted by the volatility and liquidity for the markets in which the related underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The Authority's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the statement of net assets and is not represented by the contract or notional amounts of the instruments.

Note 4 - Restricted Cash and Investments

The following amounts represent restricted cash and investments as of December 31, 2002 and 2001:

| | 2002 | 2001 |
|---|---|---|
| Cash and Cash Equivalents | | |
| Restricted for Capital Expenditures | $ 32,683,618 | $ 38,638,147 |
| Restricted for Passenger Facility Charges | 38,654,966 | 33,254,324 |
| Restricted for Debt Service | 22,080,943 | 20,850,750 |
| Obligation Due To City (Including Interest) | 5,857,457 | 6,171,573 |
| Retainages on Construction Contracts | 1,086,807 | 1,100,410 |
| Customer Deposits and Other | 159,181 | 197,971 |
| Total Restricted Cash | $100,522,972 | $100,213,175 |

## COLUMBUS MUNICIPAL AIRPORT AUTHORITY

Notes to Financial Statements
December 31, 2002 and 2001

Note 5 - Receivables

The following amounts represent receivables due to the Authority at December 31, 2002 and 2001:

| | 2002 | 2001 |
|---|---|---|
| **Unrestricted:** | | |
| **Current:** | | |
| Accounts Receivable - Trade | $5,035,897 | $5,277,694 |
| Less Allowance for Uncollectibles | 533,761 | 582,475 |
| Total Current Unrestricted Trade Receivables | 4,502,136 | 4,695,219 |
| Accounts Receivable – Other | 573,722 | - |
| **Non-Current:** | | |
| Accounts Receivable - Other | 1,282,664 | - |
| Total Unrestricted Receivables | $6,358,522 | $4,695,219 |
| **Restricted for Capital Expenditures:** | | |
| Receivable Due from Other Government | $ 899,359 | $ 822,083 |
| Passenger Facility Charges Receivable | 1,365,299 | 1,104,268 |
| Total Restricted Receivables | $2,264,658 | $1,926,351 |

The restricted amounts listed above, with the exception of PFCs, are based on expenditures incurred or interest earned by the Authority under terms of the grant agreements, legislation or bond restrictions. PFCs are based on the amount of PFCs collected by the air carriers but not yet remitted to the Authority.

Note 6 – Direct Financing Lease

Under direct financing leases, the Authority leases certain rental car facilities within the parking facility (See Note 7). The components of lease receivable for the net investment in direct financing leases are as follows as of December 31:

| | 2002 | 2001 |
|---|---|---|
| Total Minimum Lease Receivables | $4,294,531 | $4,785,335 |
| Less Unearned Income | 1,299,245 | 1,601,375 |
| Net Investment in Direct Financing Leases | $2,995,286 | $3,183,960 |
| Current Portion | $ 326,560 | $ 326,560 |
| Non-Current Portion | 2,668,726 | 2,857,400 |
| | $2,995,286 | $3,183,960 |

Future minimum lease receivables due from tenants under direct financing leases as of December 31, 2002, are as follows:

| | |
|---|---|
| 2003 | $ 490,804 |
| 2004 | 490,804 |
| 2005 | 490,804 |
| 2006 | 490,804 |
| 2007 | 490,804 |
| 2008-2011 | 1,840,511 |

Unearned Income on direct financing leases is recognized in such a manner as to produce a constant periodic rate of return on the net investment in the direct financing lease. During 2002, $302,130 of interest was recognized reducing the balance of Unearned Income from $1,437,131 to $1,135,001.

Note 7 - Long-Term Debt

Revenue bonds

On August 1, 1994, the Authority issued $37,160,000 of Airport Improvement Revenue Bonds, Series 1994A. The bond proceeds were used to construct a four gate terminal expansion, runway improvements and related facilities. The bonds are due at maturity or through mandatory sinking fund redemption requirements in annual installments of $475,000 to $2,630,000 through January 1, 2024. Interest rates range from 4.65% to 6.25% with a weighted average rate of 5.93%. Revenue bonds payable at December 31, 2002, net of unamortized discount of $483,910, are $32,941,090 and at December 31, 2001, net of unamortized discount of $521,780, are $33,648,220. The revenue bonds are collateralized by revenue of the Authority established by the trust indenture.

On February 1, 1998, the Authority issued $5,915,000 of Airport Improvement Revenue Bonds, Series 1998A. The bond proceeds were used to construct a new parking facility and terminal apron improvements. The bonds are due at maturity or through mandatory sinking fund redemption requirements in annual installments of $590,000 to $1,765,000 through January 1, 2005. The interest rate paid annually is 4.50%. Revenue bonds payable at December 31, 2002, net of unamortized premium of $4,902, are $4,284,902 and at December 31, 2001, net of unamortized premium of $11,027, are $5,336,027. The revenue bonds are collateralized by revenue of the Authority established by the trust indenture.

On February 1, 1998, the Authority issued $81,375,000 of Airport Improvement Revenue Bonds, Series 1998B. The bond proceeds were used to construct a new parking facility and improve landside roadways and terminal aprons. The bonds are due at maturity or through mandatory sinking fund redemption requirements in annual installments of $1,010,000 to $5,685,000 through January 1, 2028. Interest rates range from 4.50% to 5.25% with a weighted average rate of 5.03%. Revenue bonds payable at December 31, 2002, net of unamortized discount of $629,092, are $80,745,908 and at December 2001, net of unamortized discount of $668,537, are $80,706,463. The revenue bonds are collateralized by revenue of the Authority established by the trust indenture.

On June 1, 2001, the Authority issued $3,265,600 of Airport Improvement Revenue Bonds, Series 2001A. The bond proceeds were used to construct certain rental car facilities within the parking facility. The bonds are due at maturity or through mandatory sinking fund redemption requirements in annual installments of $105,000 to $448,000 through June 1, 2011. Interest rates change monthly based on London Interbank Offered Rate (LIBOR) plus 135 basis points. This rate shall not exceed 12% per year. Revenue bonds payable at December 31, 2002 and 2001, are $2,936,600 and $3,160,600, respectively. The revenue bonds are collateralized by certain rental car revenues of the Authority established by the trust indenture.

On June 1, 2001, simultaneous with the delivery of the Authority's $3,265,000 Airport Improvement Revenue Bonds, Series 2001A, (the bonds), the Authority entered into an Interest Rate Swap Agreement (Agreement.) Under this Agreement, the Authority and the swap counterparty are obligated to make monthly payments to each other. The Authority's monthly obligation to the counterparty to the swap is equal to the interest calculated at a fixed annual rate of 8.74%. The swap counterparty's monthly obligation is equal to the interest that is payable during a particular month at the variable rate then in effect for the bonds. Only the net difference in interest payments is exchanged with the counterparty.

The Authority continues to pay interest to the bondholders at the variable rate provided by the bonds. The effect of the Agreement is that the Authority pays interest on the bonds at a fixed annual rate of 8.74% and the principal payments on the bonds have been structured based on that effective fixed interest rate. The Authority would have to pay interest on the bonds at the stated variable rate if the Agreement was terminated prior to the final maturity of the bonds. Termination of the Agreement may also result in the Authority either making or receiving a termination swap payment.

Long-term revenue bond activity for the year ended December 31, 2002 is summarized as follows:

| | Beginning Balance | New Debt | Principal Repayment | Ending Balance |
|---|---|---|---|---|
| Bonds: | | | | |
| 1994A | $ 34,170,000 | $ - | $ 745,000 | $ 33,425,000 |
| 1998A | 5,325,000 | - | 1,045,000 | 4,280,000 |
| 1998B | 81,375,000 | - | - | 81,375,000 |
| 2001A | 3,160,600 | - | 224,000 | 2,936,600 |
| | 124,030,600 | - | 2,014,000 | 122,016,600 |
| Less Current Portion | 2,014,000 | | | 2,709,000 |
| | $122,016,600 | | | $119,307,600 |

Maturities and interest on bonds payable for the next five years and in subsequent five-year periods as of December 31, 2002 are as follows:

| | Principal | Interest |
|---|---|---|
| 2003 | $ 2,709,000 | $ 6,427,797 |
| 2004 | 2,856,000 | 6,278,392 |
| 2005 | 3,001,000 | 6,122,199 |
| 2006 | 3,161,000 | 5,956,272 |
| 2007 | 3,331,000 | 5,769,914 |
| 2008-2012 | 19,008,600 | 25,579,064 |
| 2013-2017 | 22,865,000 | 19,736,925 |
| 2018-2022 | 29,675,000 | 12,554,075 |
| 2023-2027 | 29,725,000 | 4,167,625 |
| 2028 | 5,685,000 | - |
| Total | $122,016,600 | $92,592,263 |

Unamortized discount at December 31, 2002 was $1,108,100.

Obligation Due to City

The Authority has entered into a long-term Airport Operation and Use Agreement with the City for the operation and use of Port Columbus International and Bolton Field Airports and for financing the acquisition of the airport assets. The agreement provides for payments which match exactly in timing and amount the debt service payments by the City on general obligation bonds previously issued in connection with the airports.

During 1999, portions of the Obligation were refinanced. The refinancing generated $310,000 of additional obligation due to the refinancing costs. These costs were capitalized and are being amortized over the remaining life of the Obligation. In 2002 and 2001, amortization associated with the refinancing costs was $34,445 annually. The Authority anticipates net interest cost savings of approximately $750,000 over the life of the Obligation.

During 2001, portions of the Obligation were refinanced. There was no additional obligation generated due to the refinancing cost. The Authority received a check from the City for $61,656 for interest earnings the City received on proceeds of the refunding bonds dated July 15, 2001, while a portion of the proceeds were held until the October 15, 2001 call date. The Authority anticipates net interest cost savings of approximately $297,495 over the life of the Obligation.

During 2002, $4,990,000 of principal payments were made to the City reducing the December 31, 2001 obligation balance from $23,435,000 to $18,445,000 at December 31, 2002. The following schedule lists future payments due under the agreement, together with the amount of the obligation as of December 31, 2002:

| Year ending December 31: | Principal | Interest |
|---|---|---|
| 2003 | $ 4,945,000 | $ 912,457 |
| 2004 | 4,880,000 | 644,219 |
| 2005 | 4,845,000 | 377,493 |
| 2006 | 1,865,000 | 148,780 |
| 2007 | 1,750,000 | 59,779 |
| 2008 | 160,000 | 3,960 |
| Total | $18,445,000 | $2,146,688 |

The following schedule lists property acquired through the agreement by major classes at December 31, 2002 and 2001:

| | 2002 | 2001 |
|---|---|---|
| Land | $ 13,079,492 | $ 13,079,492 |
| Building | 82,632,069 | 82,632,069 |
| Runways, Taxiways and Other | 53,591,667 | 56,561,666 |
| Machinery and Equipment | 3,372,715 | 3,429,796 |
| | 152,675,943 | 155,703,023 |
| Less Accumulated Depreciation | 88,720,680 | 84,616,922 |
| | $ 63,955,263 | $ 71,086,101 |

Note 8 - Pension Plans and Other Postemployment Benefits

All Authority employees are required to participate in the statewide Ohio Public Employees Retirement System (OPERS). The plan is a cost-sharing, multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the ORC. In 2002 the employer was required to contribute 13.31% of active member payroll. For full-time employees, the portion of an employee's contribution is equal to 8.5% (6% for part-time employees) to be picked up (assumed and paid) on behalf of the employee, and in lieu of payment by the employee, by the Authority.

Total required employer contributions billed to the Authority were $2,754,786, $2,448,484, and $2,187,780 for the years ended December 31, 2002, 2001, 2000, respectively, and are equal to 100% of the dollar amount extracted from the Authority's records.

The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 800-222-PERS (7377).

Other postemployment benefits for health care costs provided by OPERS are as follows:

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in

GASB Statement No. 12, *"Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Governmental Employers."* A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 employer contribution rate for state employers was 13.31% of covered payroll; 5.00% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirements for PERS. The portion of the Authority's 2002 and 2001 contribution that was used to fund postemployment benefits was $1,034,973 and $946,003, respectively. The ORC provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.00%. An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2001, the actuarial value of the Retirement System's net assets available for OPEB was $11.6 billion. The number of active contributing participants was 402,041. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $16.4 billion and $4.8 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing efforts to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Note 9 - Capital Contributions

The Authority has received capital contributions by means of Federal and State grants as follows:

| | Year ended 2002 | Year ended 2001 |
|---|---|---|
| Federal | $8,783,618 | $8,328,749 |
| State | 3,140 | 4,321 |
| Total | $8,786,758 | $8,333,070 |

Note 10 - Commitments and Contingencies

**Capital Improvements**

As of December 31, 2002, the Authority was obligated for completion of certain airport improvements under commitments of approximately $38.4 million. An estimated $9.9 million is eligible for reimbursement from the FAA. The remaining amount is expected to be funded from bond proceeds, current available resources, PFC's and future operations.

**Federally Assisted Programs - Compliance Audits**

The Authority participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of December 31, 2002, significant amounts of grant expenditures have not been audited but the Authority believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Authority.

Note 11 - Property Leased to Others

The Authority is a lessor of space in the Port Columbus International Airport terminal along with other land and buildings on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and redetermination of the rental amounts. Substantially all of the land and building costs in the balance sheet are held by the Authority for the purpose of rental or related use. The net book value of property held for operating leases as of December 31, 2002 and 2001 is $133,268,037 and $126,136,742, respectively.

Minimum future rentals on noncancelable operating leases to be received in each of the next five years and thereafter are as follows:

| | |
|---|---|
| 2003 | $ 13,480,706 |
| 2004 | 13,220,320 |
| 2005 | 9,396,424 |
| 2006 | 9,257,027 |
| 2007 | 8,868,576 |
| 2008-2012 | 28,934,881 |
| 2013-2017 | 4,952,629 |
| 2018-2022 | 2,506,299 |
| 2023-2027 | 1,098,750 |
| 2028-2032 | 652,500 |
| 2033-2035 | - |
| | $ 92,368,112 |

Certain airline agreements to lease space in the terminal building and terminal apron areas are subject to fluctuating rates.

Contingent operating revenue aggregated approximately $15,007,000 and $15,350,000, respectively, in 2002 and 2001.

Note 12 - Related Party Transactions

As of December 31, 2002 and 2001, the Authority owed the City $4 million for past operating advances. This amount has been classified as a non-current liability because management believes that this amount will not be repaid in 2003. Repayment of the advances will be made pending resolution of the compensation to be paid to the Authority for the City's past and future public golf course use. Interest expense, if any, for these advances will be recorded upon resolution of this agreement.

Note 13 – Subsequent Event

The County of Franklin, Ohio (the County) Board of Commissioners approached the Mayor and officials of the City of Columbus, Ohio (the City) with the idea of creating one port authority in the summer of 2001 to oversee the airports currently managed by the Authority and Rickenbacker Port Authority (RPA). The County and the City formed a committee, the Regional Port Authority Study Committee (RPASC), to evaluate the structure of the current central Ohio port authorities and explore the possibilities of creating a single regional authority. The RPASC concluded that there appeared to be potential for achieving cost savings, operational efficiencies and other intangible synergies by creating a single regional airport authority. The Authority concurred with the findings and recommendations of the RPASC for completing additional due diligence and finalizing an agreement with the City and the County to create a merged regional airport authority to oversee the operations of Rickenbacker, Port Columbus International and Bolton Field airports. Under this agreement RPA would be dissolved, the Authority would be the surviving entity and would be renamed The Columbus Regional Airport Authority (CRAA). On December 12, 2002, the City, the Authority and the County entered into the Port Authority Consolidation and Joinder Agreement (Agreement) with an effective date of January 1, 2003.

The Agreement provides for the ultimate transfer of all of RPA's rights, title and interests in all of the assets and liabilities to CRAA. The governing board will be jointly appointed by the City and the County. Four members are appointed by the Mayor of Columbus, four members are appointed by the County Commissioners and one member is jointly appointed. The agreement outlines the various rights and responsibilities of the City, County and CRAA. These rights and responsibilities generally relate to the operation of the three airports and the provision of services to facilitate those operations. Among those, CRAA will be the operator of the three airports. The County will agree to contribute approximately $4.338 million per year for 10 years to facilitate the consolidated operations. CRAA will agree to make certain payments on behalf of the County to retire certain debt previously issued for capital improvements at the Rickenbacker Airport. Also, the County will agree to waive approximately $88 million of financial aid previously contributed to RPA. The County and the CMAA have agreed to review the County's subsidy if a significant project locates at the Rickenbacker Airport which provides net revenues to the CRAA in an amount greater than the County's subsidy.

## COLUMBUS MUNICIPAL AIRPORT AUTHORITY

Supplemental Schedule of Revenues and Expenses-
Budget vs. Actual - Budget Basis

For the Year Ending December 31, 2002

| | Budget | Actual | Postitive/ (Negative) Variance |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Rentals and Fees | $ 26,689,025 | $ 22,839,514 | (3,849,511) |
| Landing Fees | 8,617,867 | 7,628,948 | (988,919) |
| Parking Revenue | 18,544,395 | 18,811,184 | 266,789 |
| Other Revenue | 1,267,150 | 1,159,963 | (107,187) |
| Total Operating Revenues | 55,118,437 | 50,439,609 | (4,678,828) |
| **OPERATING EXPENSES** | | | |
| Employee Wages and Benefits | 18,303,258 | 17,515,769 | 787,489 |
| Purchase of Services | 13,030,368 | 12,839,439 | 190,929 |
| Materials and Supplies | 1,976,486 | 1,606,731 | 369,755 |
| Other Expenses | 10,000 | 1,360 | 8,640 |
| Total Operating Expenses | 33,320,112 | 31,963,299 | 1,356,813 |
| **OPERATING INCOME BEFORE DEPRECIATION** | 21,798,325 | 18,476,310 | (3,322,015) |
| Depreciation | 15,415,573 | 14,967,012 | 448,561 |
| **OPERATING INCOME** | 6,382,752 | 3,509,298 | (2,873,454) |
| **NON-OPERATING REVENUES (EXPENSES)** | | | |
| Interest Income | 1,901,615 | 1,310,058 | (591,557) |
| Other Non-Operating Revenue | 25,000 | 2,384,586 | 2,359,586 |
| Passenger Facility Charges | 14,500,000 | 13,350,787 | (1,149,213) |
| Interest Expense | (7,721,912) | (7,178,961) | 542,951 |
| Amortization of Deferred Charges | - | (131,994) | (131,994) |
| Loss on Disposal of Assets | - | (71,555) | (71,555) |
| Total Non-Operating Revenues | 8,704,703 | 9,662,921 | 958,218 |
| **INCOME BEFORE CAPITAL CONTRIBUTIONS** | 15,087,455 | 13,172,219 | (1,915,236) |
| **ADJUSTMENTS TO RECONCILE GAAP NET INCOME TO BUDGETED NET INCOME:** | | | |
| Amortization of Deferred Charges | - | 131,994 | 131,994 |
| Loss on Disposal of Assets | - | 71,555 | 71,555 |
| Asset Purchases Acquired Through Unrestricted Cash | (912,184) | (501,300) | 410,884 |
| Debt Principal Payments | (7,455,000) | (7,679,000) | (224,000) |
| Total Adjustments | (8,367,184) | (7,976,751) | 390,433 |
| **NET INCOME ADJUSTED TO THE BUDGETARY BASIS OF ACCOUNTING** | $ 6,720,271 | $ 5,195,468 | (1,524,803) |

Deloitte & Touche LLP
155 East Broad Street
Columbus, Ohio 43215-3611

Tel: (614) 221-1000
Fax: (614) 229-4647
www.deloitte.com

**Deloitte & Touche**

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Columbus Municipal Airport Authority
Columbus, Ohio

We have audited the financial statements of the Columbus Municipal Airport Authority (the Authority), a component unit of the City of Columbus, as of and for the year ended December 31, 2002, and have issued our report thereon dated March 8, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

## COMPLIANCE

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

## INTERNAL CONTROL OVER FINANCIAL REPORTING

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

This report is intended solely for the information of the Authority's management, the Ohio Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 8, 2003

Deloitte
Touche
Tohmatsu

Deloitte & Touche LLP
155 East Broad Street
Columbus, Ohio 43215-3611

Tel: (614) 221-1000
Fax: (614) 229-4647
www.deloitte.com

Deloitte & Touche

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF PASSENGER FACILITY CHARGES

The Board of Directors
Columbus Municipal Airport Authority
Columbus, Ohio

COMPLIANCE

We have audited the compliance of the Columbus Municipal Airport Authority (the Authority), a component unit of the City of Columbus, with the types of compliance requirements described in the *U.S. Office of Management and Budget* (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program and the *Passenger Facility Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, for the Authority's Passenger Facility Charge (PFC) program for the year ended December 31, 2002. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program and its PFC program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Guide. Those standards, OMB Circular A-133 and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and the PFC program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program and the PFC program for the year ended December 31, 2002.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and the PFC program. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program and the PFC program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program or the PFC program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF PASSENGER FACILITY CHARGES

We have audited the financial statements of the Authority as of and for the year ended December 31, 2002, and have issued our report thereon dated March 8, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and schedule of passenger facility charges are presented for purposes of additional analysis as required by OMB Circular A-133 and the Guide and are not a required part of the financial statements. These schedules are the property of the Authority's management. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Authority's management, the Ohio Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified users.

Deloitte & Touche LLP

March 8, 2003

## COLUMBUS MUNICIPAL AIRPORT AUTHORITY

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
### FOR THE YEAR ENDED DECEMBER 31, 2002

| Federal Grantor | Federal CFDA Number | Grant Number | Federal Receipts | Federal Expenditures |
|---|---|---|---|---|
| DEPARTMENT OF TRANSPORTATION: | | | | |
| Federal Aviation Administration— | | | | |
| Airport Improvement Program (AIP): | 20.106 | | | |
| Noise Mitigation Measures | | 3-39-0025-33 | $ 23,086 | $ 23,086 |
| Noise and Flight Track Monitoring System | | 3-39-0025-34 | 195,704 | 195,705 |
| Residential Sound Insulation Phase V | | 3-39-0025-36 | 487,961 | 487,965 |
| North Parallel Taxiway | | 3-39-0025-37 | 67,777 | 67,781 |
| Residential Sound Proofing Phase VI | | 3-39-0025-38 | 101,188 | 101,192 |
| Terminal Apron Rehabilitation | | 3-39-0025-39 | 492,662 | 492,668 |
| North Parallel Taxiway | | 3-39-0025-40 | 1,883,059 | 1,883,064 |
| Costs of New Security Requirements | | 3-39-0025-41 | 329,991 | 329,994 |
| Security Enhancements | | 3-39-0025-42 | 21,150 | 21,150 |
| Noise Mitigation Phase VII | | 3-39-0025-43 | 35,936 | 35,936 |
| Terminal Apron Rehabilitation | | 3-39-0025-44 | 4,143,405 | 4,143,407 |
| Master Plan Update | | 3-39-0026-09 | 145,746 | 147,285 |
| Master Plan Update and Taxiway A Rehabilitation | | 3-39-0026-10 | 42,820 | 42,822 |
| Federal Aviation Administration | | | 7,970,485 | 7,972,055 |
| Transportation Security Administration— | | | | |
| Explosives Detection Canine Team Program | N/A | DTFA01-02-A-02035 | 120,500 | 120,500 |
| Law Enforcement Personnel Agreement | N/A | DTSA20-02-P-50105 | 260,031 | 260,031 |
| Transportation Security Administration | | | 380,531 | 380,531 |
| Total U.S. Department of Transportation | | | 8,351,016 | 8,352,586 |
| DEPARTMENT OF JUSTICE: | | | | |
| Drug Enforcement Administration— | | | | |
| Equitable Sharing Agreement | 16.000 | N/A | 286,467 | 141,904 |
| Total U.S. Department of Justice | | | 286,467 | 141,904 |
| TOTAL FEDERAL AWARDS | | | $ 8,637,483 | $ 8,494,490 |

See accompanying notes to Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges.

## COLUMBUS MUNICIPAL AIRPORT AUTHORITY

### SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
### FOR THE YEAR ENDED DECEMBER 31, 2002

| Program | Receipts | Expenditures |
|---|---|---|
| Passenger Facility Charges | $12,441,114 | $7,689,132 |

See accompanying notes to Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges.

# COLUMBUS MUNICIPAL AIRPORT AUTHORITY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF PASSENGER FACILITY CHARGES FOR THE YEAR ENDED DECEMBER 31, 2002

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***General***—The accompanying Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges present the activity of all federal assistance programs of the Columbus Municipal Airport Authority (the Authority). The Authority's reporting entity is defined in Note 1 to the Authority's financial statements.

### 2. BASIS OF ACCOUNTING

***Basis of Accounting***—The accompanying Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges are prepared on the basis of cash receipts and disbursements. Consequently, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligations are incurred.

* * * * *

# COLUMBUS MUNICIPAL AIRPORT AUTHORITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED DECEMBER 31, 2002

### PART I—SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.

2. No reportable conditions in internal control over financial reporting were identified.

3. No instance of noncompliance considered material to the financial statements was disclosed.

4. No reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were identified.

5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.

6. The audit disclosed no findings which are required to be reported by OMB Circular A-133.

7. The organization's major program was: Airport Improvement Program (AIP) (CFDA #20.106).

8. Dollar threshold used to distinguish between Type A and Type B programs: $300,000.

9. The Auditee did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

### PART II—FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable.

### PART III—FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

No matters are reportable.

# Comprehensive Annual Financial Report

## Columbus Municipal Airport Authority

Columbus, Ohio

A component unit of the City of Columbus, Ohio
For the year ended December 31, 2002

# Comprehensive Annual Financial Report

For the
**Columbus Municipal Airport Authority**
Columbus, Ohio

A component unit of the City of Columbus, Ohio

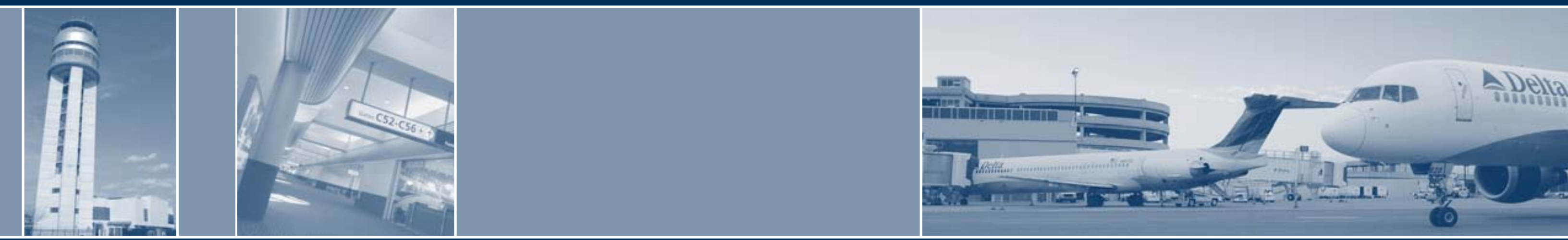
For the year ended
December 31, 2002

Prepared by:
Rod C. Borden, A.A.E.
Managing Director, Finance and Administration

Gwen Langston, CPA
Controller and Director, Finance and I.T.

# Table of Contents

# Introductory Section




**This section contains the following subsections:**

March 8, 2003

To the Board of Directors:

This Comprehensive Annual Financial Report (CAFR) for the Columbus Municipal Airport Authority (the Authority), a component unit of the City of Columbus, Ohio, for the year ended December 31, 2002, is proudly prepared and presented by your Finance Department and represents the Authority staff's commitment to provide accurate, concise and high-quality financial information to its Board of Directors and to the public we serve.

This CAFR contains financial statements and statistical data that fully disclose all the material financial operations of the Authority. The financial statements and statistical information contained herein are the representations of the Authority's management, which bears the responsibility for the accuracy, completeness, and fairness of this CAFR. A narrative overview and analysis of the financial activities of the Authority that occurred during the year ended December 31, 2002 is presented in the Management's Discussion and Analysis (MD&A) found at the beginning of the Financial Section.

This CAFR has been prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA awards Certificates of Achievement to those entities whose annual financial reports are judged to conform to the high standards of public financial reporting, including generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). It is our belief that the accompanying 2002 CAFR meets program standards, and it will be submitted to the GFOA for review.

In accordance with the above-mentioned guidelines, the accompanying CAFR consists of four parts:

1. **Introductory Section**, including members of the Board of Directors, an Organization Chart and listing of Senior Management, a reproduction of the 2001 Certificate of Achievement, and this Letter of Transmittal.

2. **Financial Section**, including the Management's Discussion and Analysis (MD&A) of the 2002 financial statements, financial statements (with related footnotes) as of December 31, 2002 and for 2001, and for the years then ended, accompanied by our independent auditors' report.

3. **Statistical Section**, providing financial, economic, and industry specific information. The following statistical tables recommended by the National Council on Governmental Accounting for enterprise funds are not included as they do not apply to our organization:

   - Property Tax Levies and Collections - Last Ten Fiscal Years
   - Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years
   - Special Assessments Billings and Collections - Last Ten Fiscal Years

4. **Compliance Section**, providing the Schedule of Federal Expenditures, the Schedule of Passenger Facility Charges, related notes, the Schedule of Findings and Questioned Costs and the independent auditors' report on the Authority's compliance with Federal OMB Circular A-133 and Passenger Facility Charge program requirements.

## Reporting Entity

The Authority is an independent, special purpose political subdivision of the State of Ohio. It was created as a body corporate and politic on July 30, 1990, by action of the Columbus City Council pursuant to the provisions of the Ohio Revised Code Chapter 4582. On November 10, 1991 (the transfer date), the Authority began operations under a use agreement with the City of Columbus for the purpose of providing airport facilities to the general public.

The Authority's financial reporting entity has been defined in accordance with GASB Statement No. 14. The financial statements contained within this CAFR include all departments and operations for which the Authority is financially accountable. Financial accountability is defined in Note 1 to the financial statements. On this basis, no governmental organizations other than the Authority itself are included in the financial reporting entity.

The Authority is governed by a nine member Board of Directors appointed by the Mayor of the City of Columbus with the advice and consent of City Council. As of December 31, 2002, the Authority has a liability to the City in the amount of $4,000,000 for past operating advances. Therefore, under GASB Statement No. 14, the Authority is a discretely presented component unit of the City of Columbus. A complete discussion of the Authority's financial reporting entity is included in Note 1 to the financial statements.

## Economic Conditions and Outlook

The financial condition of the Authority is primarily dependent upon the number of passengers using Port Columbus International Airport. Passenger levels, in turn, are dependent upon several factors, including: the economic conditions of the airline industry which influences the airlines' willingness and ability to provide service; the local economy which influences the willingness and ability of consumers to purchase air travel; and the cost of air travel.

The economy of the Greater Columbus area, including Franklin and the six surrounding counties, remained strong in 2002 even as the growth of the nation's economy slowed. The unemployment rate of 4.4% was significantly below that of Ohio (5.7%) and the United States (5.8%). A balance among manufacturing, technology, research and financial activities has helped Columbus' economy to survive periods of slow growth. Unlike most other large U.S. cities, Columbus is not dependent upon one or two industries for its major economic strength and no single activity dominates the economy.

The diversity among Greater Columbus' top five employers – the State of Ohio, The Ohio State University, the United States Government (U.S. Postal Service, Defense Supply Center and Defense Finance and Accounting Service), Nationwide Insurance Companies, and Bank One Corporation – is representative of the local economy as a whole. The variety represented by these five employers, which together account for more than 77,000 jobs in Central Ohio, assures that the local economy can withstand slowdowns in certain sectors and not suffer an overall slowdown in the local economy.

Despite the nation's economic condition and the lingering effects of the terrorist attacks, Port Columbus International Airport maintained its passenger base in 2002. Total passenger traffic at Port Columbus International Airport was up 0.9% in 2002 as compared to 2001. A total of 6,740,935 passengers used Port Columbus International Airport in 2002, which was just 133,063 passengers shy of the all-time passenger record reached in 2000.

### Initiatives and Development

Funding for the Authority's development projects is provided exclusively by user fees, as are the funds needed to conduct the Airport's day-to-day operations. These funds are generated in three ways: through direct charges such as space rentals and landing fees collected from the airlines; from the airlines ticket tax which is then returned to airports in the form of grants under the Federal Airport Improvement Program; and through a $4.50 passenger facility charge which is collected as a surcharge on airline tickets. The Authority utilizes each of these to generate funds for its operations and facilities development.

In 2002 construction was completed on a five-gate extension of Concourse C. This $22 million project also included constructing a third taxiway bridge over Sawyer Road and installing one additional baggage carousel in the baggage claim area. This project represents the final significant expansion of the current terminal building, built in 1958, and has increased its capacity to approximately 10 million passengers per year.

The Federal Aviation Administration continued a major development initiative at Port Columbus International Airport that was begun in 2001, construction of a new, $18 million air traffic control tower. At 224 feet, the new tower will be nearly double the height of the existing tower, which was constructed with the terminal building in 1958. The additional height and the enhanced view it affords air traffic controllers will permit several planned facilities development projects to proceed, and as a result will enable Port Columbus International Airport to continue to meet the air service needs of Central Ohio for generations.

### Authority's Internet Web Page

The Authority has an internet web site offering a wide array of information to users, including financial information and operational statistics. Users can obtain direct access to the airlines serving the airports, obtain flight arrival and departure information and download flight schedules directly onto their PDAs. The Authority's CAFR is posted on the web site. The web address is ColumbusAirports.com.

### Internal Control Framework

In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of the internal control framework. Internal control framework is designed to provide reasonable, but not absolute assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition; (2) execution of transactions in accordance with management's authorization; (3) reliability of financial records for preparing financial statements and maintaining accountability for assets; (4) effectiveness and efficiency of operations; and (5) compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above structure. We believe that the Authority's internal control framework adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions. Management also believes that the data in this CAFR, as presented, is accurate in all material respects, that it presents fairly the financial position, results of operations and cash flows of the Authority, and that all disclosures necessary to enable the reader to gain the maximum understanding of the Authority's financial affairs have been included.

The Authority maintains an internal audit department responsible for a broad, comprehensive program of internal and external auditing. The audit director reports directly to the Managing Director of Finance and Administration and maintains reporting responsibilities to the Executive Director and the Board of Directors. The internal audit department is authorized to have full, free, and unrestricted access to all records pertaining to the audits.

### Budgetary Controls

The annual operating and capital budgets are proposed by the Authority's management and adopted by the Board of Directors in a public meeting before the beginning of each fiscal year. The annual budget is prepared pursuant to guidelines established after consideration of the Authority's long-range financial plan.

Management control of the budget is maintained at the department level. Total expenditures are not permitted to exceed total budgeted amounts without approval of the Board of Directors. It is the responsibility of each department to administer its operations in such a manner as to ensure that the use of funds is consistent with the goals and programs authorized by the Board of Directors.

### Activity Highlights

**The following represents the Authority's activity highlights for the years ended December 31:**

| | 2002 | 2001 | % Change |
|---|---|---|---|
| Enplanements | 3,367,210 | 3,351,839 | (0.5) |
| Airline Cost | $17,469,892 | $16,016,565 | 8.3 |
| Cost Per Enplaned Passenger | $5.19 | $4.78 | 7.9 |

Throughout its ten-year existence the Authority has been purposeful in building cash reserves to fund contingencies and future facilities development. The Authority uses these assets to provide services to its passengers and visitors to the Airport. It has also diligently controlled the costs passed on to its family of airlines. Through operating efficiencies and its on-going cost containment efforts, the Authority realized operating expense savings of $1.4 million compared to budget. Airline cost per enplaned passenger (Cost/EP) — the standard employed by the air carriers to determine the relative cost of operating at an airport — is the sum of all expenditures charged to the airlines by an airport divided by the number of passengers enplaned at the airport. For 2002, the airline Cost/EP at Port Columbus International Airport has remained competitive at $5.19, which compares favorably with other medium hub airports, further reinforcing the Airports reputation as a cost effective, airline-friendly facility.

After September 11, 2001, Port Columbus International Airport lost nearly 50 daily departures due to air service cutbacks. However, in 2002 flights and passengers returned to the Columbus skies, resulting in the airport's second-largest passenger record in history. The airport experienced a temporary setback in February of 2003 when America West announced its intention to eliminate the Columbus hub and focus on its core west coast hubs of Phoenix and Las Vegas. This decision was far more related to what is best for America West rather than what is wrong with Columbus. Within hours of the America West announcement, Delta Air Lines and American Airlines revealed they would add 11 new flights a day and 4 new flights a day, respectively. This was indeed a positive reflection on Columbus as air service expansion only occurs in strong markets. With Delta and American's announced service, Columbus will continue to have non-stop service to 32 cities.

### Cash Management and Investments

The Authority utilizes a cash management and investment policy intended to achieve maximum financial return (while minimizing risk of loss) on all available funds. Cash balances are invested at the best interest rates available in the money markets within the constraints imposed by the investment policy of the Authority and Ohio law. In accordance with these constraints, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The Authority is permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio), and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days.

Under the criteria developed by the GASB, most of the Authority's deposits are either uncollateralized or collateralized by securities held by the pledging financial institution's trust department or agent in the Authority's name. The procedures used to secure the Authority's deposits comply with Ohio law. Because the Authority's deposits are held by large, financially sound banks, management believes that the security supporting the Authority's deposits is adequate. For a more detailed discussion see Note 3 to the financial statements.

### Risk Management

It is the policy of the Authority to eliminate or transfer risk. Where possible, lease agreements contain insurance requirements and hold harmless clauses. Contractors are required to maintain appropriate amounts of insurance and bonding. The Authority does not self-insure any material risk resulting from acts of God, injury to employees, or breach of contract.

The Authority carries property insurance in force as of January 1, 2003, on Airport property and equipment in the aggregate sum of approximately $343 million. The Authority carries liability insurance coverage in the amount of $212 million. A schedule of insurance in force can be found in the statistical section of this CAFR.

### Independent Audit

The Authority's independent auditing firm, Deloitte & Touche LLP, has rendered an unqualified opinion that the Authority's financial statements as of December 31, 2002 and 2001, and for the years then ended, present fairly, in all material respects, the results of the Authority's financial position, operations and cash flows. The Auditor of State of Ohio also reviews the Authority's financial statements for compliance with its reporting requirements.

The Authority participates in the federal single audit program, which consists of a single audit of all federally funded programs administered by the Authority. Participation in the single audit program is mandatory as a condition for continued funding eligibility. The single audit performed by Deloitte & Touche LLP, met the requirements set forth by the State of Ohio and the Federal Single Audit Act of 1996 and related Office of Management and Budget Circular A-133. The independent auditors' reports issued based upon work performed in accordance with those requirements noted no instances of material noncompliance by the Authority with any applicable state or federal laws or regulations for the fiscal year ending December 31, 2002. A copy of the report can be found in the compliance section of this CAFR.

### Subsequent Event

The County of Franklin, Ohio (the County) Board of Commissioners approached the Mayor and officials of the City of Columbus, Ohio (the City) with the idea of creating one port authority in the summer of 2001 to oversee the airports currently managed by the Authority and Rickenbacker Port Authority (RPA). The Authority concurred with the findings and recommendations made which concluded that there appeared to be potential for achieving cost savings and operational efficiencies by creating a single regional airport authority. On December 12, 2002, the City, the Authority and the County entered into the Port Authority Consolidation and Joinder Agreement with an effective date of January 1, 2003. Additional information may be found in Note 13 of the accompanying notes to the financial statements.

### Certificate of Achievement

I am most proud to report that the GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the year ended December 31, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Authority has received a Certificate of Achievement for the last ten consecutive years, ended December 31, 2001. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgments

The publication of this CAFR is a reflection of the level of excellence and professionalism the Authority's Finance Department has attained. I wish to express my appreciation to all members of the Finance Department, who contributed not only to the preparation of this CAFR, but also to the accomplishments that I am privileged to report.

I would like to thank the Board of Directors and the Executive Director, Elaine Roberts for their guidance and support provided in the planning and conducting of the financial operations of the Authority. Your direction and counsel have helped to ensure that the Columbus Municipal Airport Authority will remain a model of excellence for airports throughout the world.

Respectfully submitted,

Rod C. Borden

Rod C. Borden, Esq., A.A.E

Managing Director, Finance and Administration


William J. Lhota

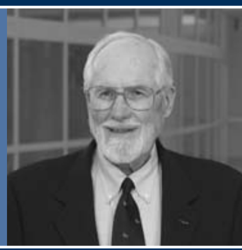

Kathleen H. Ransier


Don M. Casto


John W. Kessler


David P. Lauer


James P. Loomis


J. Robinson McCormick


George A. Skestos


Frank Wobst

# Board of Directors

### Chairman
Wm. J. Lhota
Retired President – Energy Delivery
American Electric Power

### Vice Chairman
Kathleen H. Ransier, Esq.
Of Counsel
Vorys, Sater, Seymour & Pease

### Directors
Don M. Casto, III
Partner
Don M. Casto Organization

David P. Lauer
Retired President & Chief Operating Officer
Bank One, Columbus

J. Robinson McCormick
Chairman
The Frank Gates Companies

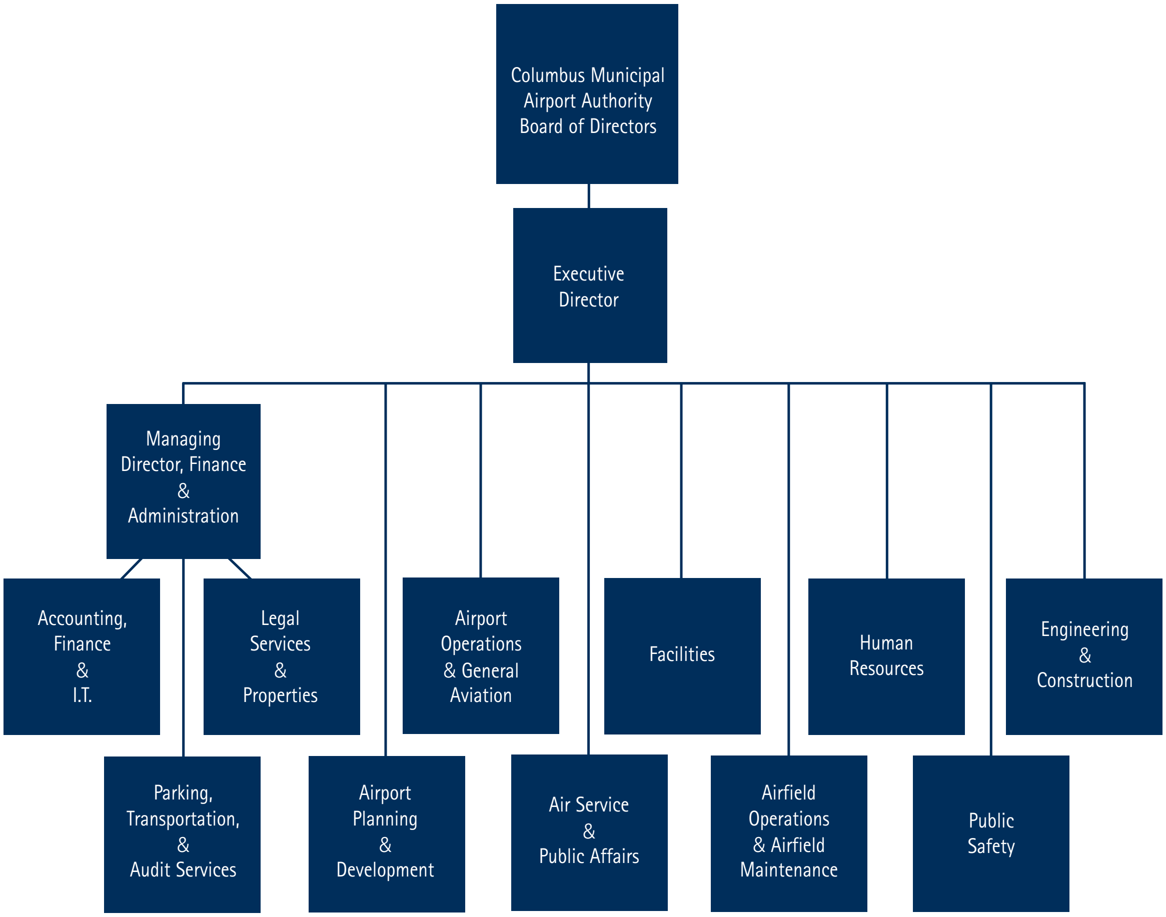
Frank Wobst
Retired Chairman
Huntington Bancshares Incorporated

John W. Kessler
Chairman
The New Albany Company

James P. Loomis, P.E.
Retired Vice President, Transportation
Battelle

George A. Skestos
Retired Chief Executive Officer
Homewood Corporations

# Organization Chart and Senior Management




## Senior Management

| | |
|---|---|
| Elaine Roberts, A.A.E. | Executive Director |
| Rod C. Borden, ESQ., A.A.E. | Managing Director, Finance & Administration |
| T. Randal Bush, CPFM, CIA, CPA | Director, Parking, Transportation & Audit Services |
| Gwen E. Langston, CPA | Controller And Director, Finance & I.T. |
| Linda M. Laughlin | Director, Human Resources |
| Bernard F. Meleski | Director, Airport Planning & Development |
| Richard L. Morgan | Director, Public Safety |
| Ronald E. Newland | Director, Facilities & Airfields |
| Robert E. Tanner, Jr., ESQ. | General Counsel And Director, Properties & Administration |
| Angela R. Tickle, P.E. | Director, Engineering & Construction |
| Linda F. Valtz, A.A.E. | Director, Airport Operations & General Aviation |
| David V. Whitaker | Director, Air Service & Public Affairs |

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Columbus Municipal Airport Authority, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

This Page is Intentionally Left Blank.

# Financial Section

**This section contains the following subsections:**

Independent Auditors' Report

Management's Discussion and Analysis

Financial Statements

Supplemental Schedule of Revenues and Expenses-

Budget vs. Actual-Budget Basis

**This Page is Intentionally Left Blank.**

Deloitte & Touche LLP
155 East Broad Street
Columbus, Ohio 43215-3611

Tel: (614) 221-1000
Fax: (614) 229-4647
www.deloitte.com

**Deloitte & Touche**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Columbus Municipal Airport Authority
Columbus, Ohio

We have audited the accompanying Statement of Net Assets of the Columbus Municipal Airport Authority (the "Authority"), a component unit of the City of Columbus, Ohio, as of and for the years ended December 31, 2002 and 2001 and the related statements of Revenues, Expenses, and Changes in Net Assets and of Cash Flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2002 and 2001 and its changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information included in the Supplemental Schedule of Revenues and Expenses – Budget vs. Actual – Budget Basis is presented for purposes of additional analysis and is not a required part of the financial statements of the Authority. The Supplemental Schedule of Revenues and Expenses – Budget vs. Actual – Budget Basis is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The introductory and statistical sections, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections are the responsibility of the Authority's management. Such information has not been subjected to auditing procedures applied in the audit of the Authority's basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 8, 2003 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

March 8, 2003

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Columbus Municipal Airport Authority's (the Authority) financial performance provides an introduction to the financial statements for the years ended December 31, 2002 and 2001. The information contained in this MD&A should be considered in conjunction with the information contained in the Authority's financial statements.

## Overview of the Financial Statements

The Authority's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets (except land) are capitalized and are depreciated over their useful lives. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Following this MD&A are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The **Statements of Net Assets** present information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Authority's financial position.

The **Statements of Revenues, Expenses, and Changes in Net Assets** present information showing how the Authority's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The **Statements of Cash Flows** relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

In addition to the basic financial statements and accompanying notes, this report also presents the **Supplemental Schedule of Revenues and Expenses – Budget vs. Actual – Budget Basis**.

## Financial Position

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

| | 2002 | 2001 | % Change |
|---|---|---|---|
| Assets: | | | |
| Current Assets | $ 24,493,571 | $ 28,493,504 | (14.0) |
| Current Assets - Restricted | 102,787,630 | 102,139,526 | 0.6 |
| Total Capital Assets, Net | 330,205,669 | 310,796,461 | 6.2 |
| Other Assets | 6,943,526 | 6,318,105 | 9.9 |
| Total Assets | $ 464,430,396 | $ 447,747,596 | 3.7 |
| Liabilities: | | | |
| Current Liabilities | $ 16,193,859 | $ 14,133,182 | 14.6 |
| Liabilities Payable from Restricted Assets | 10,364,895 | 9,816,809 | 5.6 |
| Long-Term Liabilities | 136,834,501 | 144,719,441 | (5.4) |
| Total Liabilities | 163,393,255 | 168,669,432 | (3.1) |
| Net Assets: | | | |
| Invested in Capital Assets, | | | |
| net of Related Debt | 193,788,769 | 167,446,751 | 15.7 |
| Restricted Net Assets | 100,076,734 | 99,326,717 | 0.8 |
| Unrestricted Net Assets | 7,171,638 | 12,304,696 | (41.7) |
| Total Net Assets | 301,037,141 | 279,078,164 | 7.9 |
| Total Liabilities and Net Assets | $ 464,430,396 | $ 447,747,596 | 3.7 |

2002 was the Authority's eleventh full year of operations. The Authority's assets exceeded liabilities by $301 million, a $21.9 million increase over December 31, 2001. The largest portion of the Authority's net assets each year ($193.8 million or 64% at December 31, 2002) represents its investment in capital assets, less the related debt outstanding used to acquire those capital assets. The Authority uses these capital assets to provide services to its passengers and visitors to the Airport; consequently these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

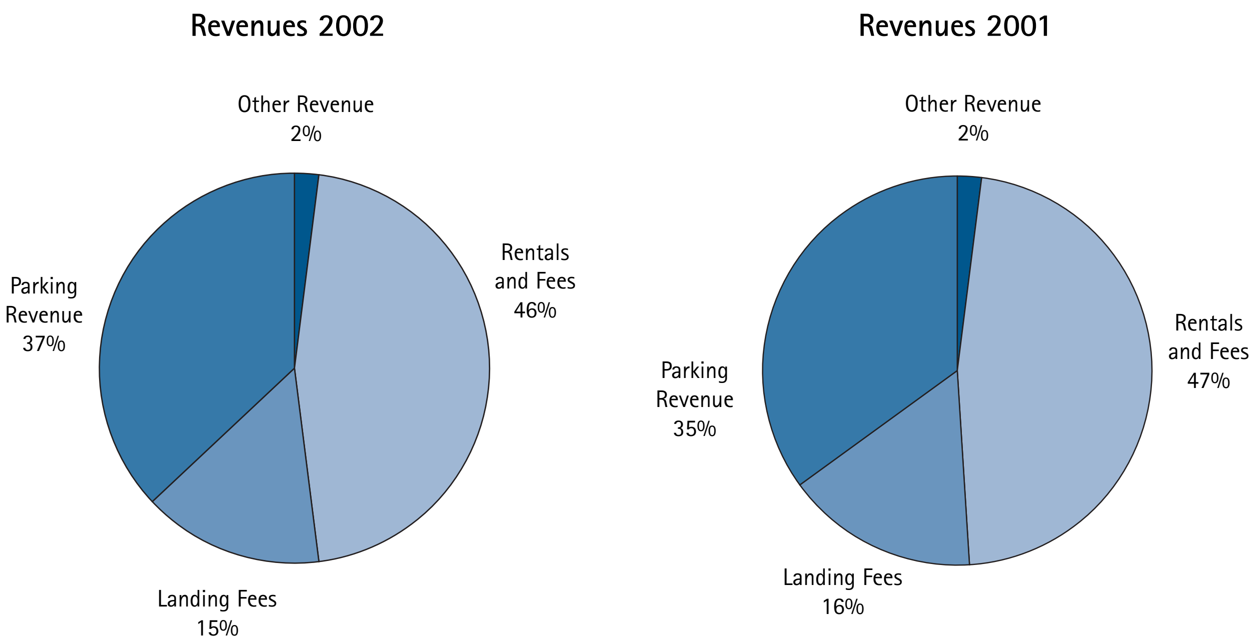
An additional portion of the Authority's net assets ($100.1 million or 33% at December 31, 2002) represents resources that are subject to restrictions on how they can be used. The restricted net assets are not available for new spending because they have already been committed as follows:

| | |
|---|---|
| Passenger Facility Charges | $ 40,020,265 |
| Capital Expenditures | 32,456,641 |
| Bond Reserves | 22,080,943 |
| Obligation Due to City | 5,518,885 |
| Total Restricted | $ 100,076,734 |

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

**The following represents the Authority's summary of operating revenues by source for the years ended December 31:**

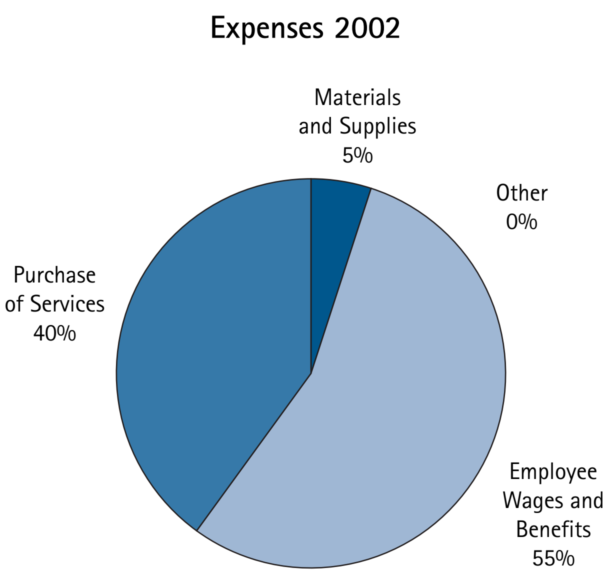
| | 2002 | 2001 | % CHANGE |
|---|---|---|---|
| RENTALS AND FEES | $ 22,839,514 | $ 26,247,454 | (13.0) |
| LANDING FEES | 7,628,948 | 8,972,759 | (15.0) |
| PARKING REVENUE | 18,811,184 | 19,326,699 | (2.7) |
| OTHER REVENUES | 1,159,963 | 906,181 | 28.0 |
| TOTAL OPERATING REVENUES | $ 50,439,609 | $ 55,453,093 | (9.0) |

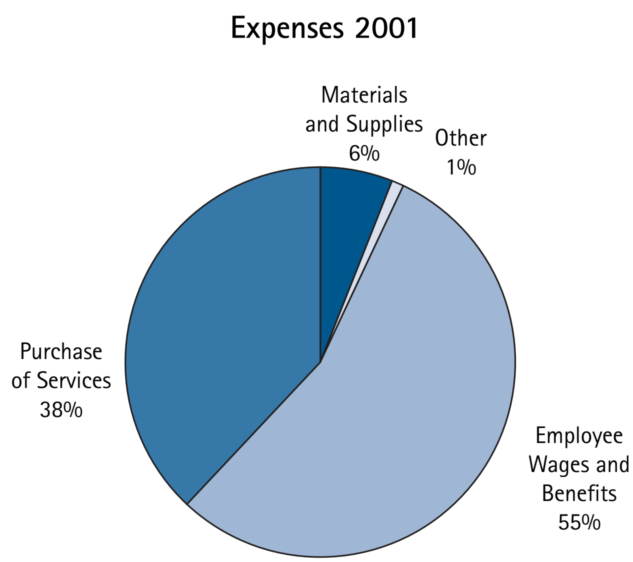



- Rentals and Fees decreased 13% or $3.4 million. Some of the significant items are: Space Rental revenue decreased 32%, or $3.1 million, due to a decrease in operating revenues for the terminal building. General Aviation revenue increased 10%, or $227,000, due primarily to an increase in fees received from NetJets Aviation and Schottensteins Corporation, two tenants of the Authority. Lodging Rental revenue decreased 33%, or $286,000, due to decreases in commission revenues from the Hampton and Concourse hotels.
- Landing Fees decreased 15%, or $1.3 million, due to a decrease in the landing fee rate by $0.06 per thousand pounds and a decrease in landed weights of 3.7%.
- Parking revenue decreased 2.7%, or $516,000, due to a reduction in the number of parking patrons by 16% in the long-term garage facility.
- Other Revenue increased 12%, or $254,000, due to an increase in terminal gate use fee income.

The following represents the Authority's summary of operating expenses before depreciation by source for the years ended December 31:

| | 2002 | 2001 | % CHANGE |
|---|---|---|---|
| EMPLOYEE WAGES AND BENEFITS | $ 17,515,769 | $ 15,732,275 | 11.3 |
| PURCHASE OF SERVICES | 12,839,439 | 10,929,216 | 17.5 |
| MATERIALS AND SUPPLIES | 1,606,731 | 1,625,692 | (1.2) |
| OTHER EXPENSES | 1,360 | 175,419 | (99.2) |
| TOTAL OPERATING EXPENSES | $ 31,963,299 | $ 28,462,602 | 12.3 |




- Employee Wages and Benefits increased 11%, or $1.8 million, due to additional security personnel cost of $764,000 and increased benefits (Workers' Compensation, Public Employees Retirement System and Employee Insurance) of $640,000.
- Purchase of Services expense increased 17%, or $1.9 million, due primarily to airport merger expenses of $419,000 and an increase in legal expenses by $314,000.
- Other Expenses decreased 99%, or $174,000, due to a decrease in bad debt expenses.

**The following represents the Authority's summary of changes in net assets for the years ended December 31:**

| | 2002 | 2001 | % Change |
|---|---|---|---|
| Total Operating Revenues | $ 50,439,609 | $ 55,453,093 | (9.0) |
| Total Operating Expenses | (31,963,299) | (28,462,602) | 12.3 |
| Operating Income Before Depreciation | 18,476,310 | 26,990,491 | (31.6) |
| Depreciation | (14,967,012) | (25,165,629) | (40.5) |
| Operating Income | 3,509,298 | 1,824,862 | 92.3 |
| Non-Operating Revenue | 9,662,921 | 3,709,146 | 160.5 |
| Capital Contributions | 8,786,758 | 8,333,070 | 5.4 |
| Increase in Net Assets | 21,958,977 | 13,867,078 | 58.4 |
| Net Assets, Beginning of Year | 279,078,164 | 265,211,086 | 5.2 |
| Net Assets, End of Year | $301,037,141 | $279,078,164 | 7.9 |

- Depreciation expense decreased 41%, or $10.2 million, due to the Authority's adjustment made in 2001 as a result of reviewing the useful lives of Runways, Taxiways and Roadways. After consideration of this information, certain assets' lives were reduced from 40 years to 20 years. The effect of this change increased depreciation expense for 2001 by $14.1 million.
- Non-Operating revenue increased 161%, or $5.9 million, as a result of a decrease in Loss On Disposal of Assets of $3.2 million, an increase of Passenger Facility Charges of $2.6 million, and recognizing $2.0 million of revenue for a favorable settlement of a lawsuit against a rental car company. These increases to Non-Operating revenue were offset by a decrease in Interest Income of $2.1 million, due to securities maturing and a reduction in the interest rate received on invested cash funds.

## Budgetary Highlights

**The following represents the Authority's budget highlights for the year ended December 31:**

| | Budget 2002 | Actual 2002 | % Change |
|---|---|---|---|
| Total Operating Revenues | $55,118,437 | $50,439,609 | (8.5) |
| Less Total Operating Expenses | 33,320,112 | 31,963,299 | (4.1) |
| Less Depreciation | 15,415,573 | 14,967,012 | (2.9) |
| Operating Income | 6,382,752 | 3,509,298 | (45.0) |
| Non-Operating Revenues | 8,704,703 | 9,662,921 | 11.0 |
| Income Before Capital Contributions | 15,087,455 | 13,172,219 | (12.7) |
| Total Adjustments | (8,367,184) | (7,976,751) | (4.7) |
| Net income Adjusted to the Budgetary Basis of Accounting | $ 6,720,271 | $ 5,195,468 | (22.7) |

Operating revenues were below budget expectations by $4.7 million as a result of airline revenues being less than projected. Operating expenses were less than budget expectations by $1.4 million, and net income (adjusted to the budgetary basis) was below budget expectations by $1.5 million.

- Airline revenues were below the budgeted amount by 30%, or $6.2 million. The airline revenue consists of reimbursements the airlines make to the Authority for airline related operating expenses incurred by the Authority on their behalf. As a result of the events of September 11, 2001, the Authority proactively reduced certain airline related expenses, thus reducing the operating costs to the airline and therefore reducing the airline revenues due to the Authority.

- Parking revenues exceeded the budgeted amount by 1.4%, or $267,000, due to a slightly higher than anticipated number of parking patrons.

- Employee Wages and Benefits were below the budgeted amount by 4.3%, or $787,000, due to certain budgeted positions remaining unfilled during the year.

- Materials and Supplies were below the budgeted amount by 19%, or $370,000, due primarily to savings of 54% in building maintenance supplies and 47% savings in snow removal supplies.

- Interest Income was below the budgeted amount by 31%, or $592,000, due to lower than anticipated interest rates experienced.

- Other Non-Operating Revenue exceeded the budgeted amount by $2,360,000 due to recognizing $2.0 million of revenue for a favorable settlement of a lawsuit against a rental car company and reimbursements of $380,000 from the Transportation Security Administration for security related expenditures.

- Passenger Facility Charges (PFC's) were below the budgeted amount by 7.9%, or $1.1 million, due to lower passenger traffic than projected.

Amortization of Deferred Charges and Loss on Disposal of Assets are not reimbursable items under the current airline agreement and are not budgeted. Additional information on the Authority's budgetary data may be found on the Supplemental Schedule of Revenues and Expenses – Budget vs. Actual – Budget Basis in this report.

## Capital Assets

The Authority's capital assets as of December 31, 2002, amounted to $330.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, runways, taxiways and roads, machinery and equipment, and furniture and fixtures. The total increase in the Authority's investment in capital assets before accumulated depreciation for 2002 was 7.6%, or $32.2 million.

**Major capital projects-in-progress and expenditures incurred during 2002 included the following:**

| | |
|---|---|
| • Concourse 'C' 5 Gate Construction | $11,998,000 |
| • Terminal Apron Rehabilitation and Glycol Retention | $ 5,854,000 |
| • Concourse 'C' Apron Expansion | $ 4,195,000 |
| • North Parallel Taxiway Construction | $ 3,152,000 |

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Acquisitions are funded using a variety of financing techniques, including Federal grants, State grants, Passenger Facility Charges, Debt issuance, and Authority revenues. Additional information on the Authority's capital assets can be found in Note 2 of the accompanying notes.

## Debt Administration

**City of Columbus General Obligation Bonds**

In 1991, the Authority entered into a long-term Airport Operation and Use Agreement with the City of Columbus (the City). This agreement requires the Authority to make payments, which match exactly in timing and amount the debt service payments by the City on general obligation bonds previously issued in connection with the Airports. The term of the agreement is fifty years, commencing on November 10, 1991, the transfer date.

*Balance outstanding as of December 31, 2002 - $18,445,000*

**City of Columbus Long-Term Borrowing**

The Authority owed the City of Columbus $4 million for past operating advances incurred by the airports prior to the creation of the Authority. This amount has been classified as a non-current liability because management believes that this amount will not be repaid in 2003.

*Balance outstanding as of December 31, 2002 - $4,000,000*

**Airport Improvement Revenue Bonds, Series 1994A**

On August 1, 1994, the Authority issued its Airport Improvement Revenue Bonds, Series 1994A in the principal amount of $37,160,000, in varying maturities up to thirty years. With this initial financing, the Authority introduced itself to the bond market as a strong credit and laid a solid foundation for future financings. The market responded positively and the bonds were sold at a composite interest rate (all-in) of 6.46%, with annual debt service of approximately $2.8 million.

*Balance outstanding as of December 31, 2002 - $33,425,000*

**Airport Improvement Revenue Bonds, Series 1998AB**

On March 10, 1998, the Authority issued Airport Improvement Revenue Bonds, Series 1998AB in the principal amount of $87,290,000, in varying maturities up to thirty years. The Bonds were sold at a composite interest rate of 5.17%, with annual debt service beginning in 2000 of $3.9 million and leveling at $5.9 million in 2002 through 2028.

*Balance outstanding as of December 31, 2002 - $85,655,000*

**Airport Improvement Revenue Bonds, Series 2001A**

On June 1, 2001, the Authority issued Airport Improvement Revenue Bonds, Series 2001A in the principal amount of $3,265,600. The bonds are due at maturity or through mandatory sinking fund redemption requirements through July 1, 2011, with annual debt service of $245,800, increasing to $491,600.

*Balance outstanding as of December 31, 2002 - $2,936,600*

Bond principal and interest are paid from the general revenues of the Authority. Additional details may be found in Note 7 of the accompanying notes.

## Passenger Facility Charge (PFC)

In October 1992, the Authority received approval from the Federal Aviation Administration (the FAA) to impose a PFC of $3.00 per enplaned passenger. Through December 31, 2002, the Authority has collected PFCs, including interest earnings thereon, totaling $104.3 million. In January 2002 the FAA approved the Authority's request to increase the PFC level to $4.50 on eligible projects. The new collection rate commenced on April 1, 2002. The revised approved amount is $128.4 million, to be collected through June 1, 2004.

## Airline Rates and Charges

The Authority and certain airlines negotiated an agreement effective January 1, 2000 for five years, which in part establishes how the airlines that sign the agreement will be assessed annual rates and charges for their use of Port Columbus International Airport. Landing fees and terminal rental rates for non-signatory airlines are assessed at 150 percent of the signatory rates.

**The rates and charges billed to the signatory airlines were as follows:**

| | 2002 | 2001 | % Change |
|---|---|---|---|
| Landing Fees (per 1,000 lbs) | $ 1.95 | $ 2.01 | (3.1) |
| Terminal Rental Rate (Average) | $46.78 | $43.65 | 6.7 |
| Apron Fee – Square Foot Rate component | $ 1.18 | $ 1.19 | (0.9) |
| Apron Fee – Landed Weight Rate component (per 1,000 lbs) | $ 0.25 | $ 0.22 | 12.0 |

## Significant Events

**THE EVENTS OF SEPTEMBER 11, 2001**

As a result of the September 11, 2001 tragic events, the air transportation system was disrupted leading to an abrupt two-day closing of America's airports. Since then, sharp decreases in passenger volume reduced airline revenue. The Federal government subsequently passed the $15 billion Air Transportation Safety and Stabilization Act on September 22, 2001, which provided for financial assistance to the Airlines. In addition, several Federal grants were made available to airports as a reimbursement of certain security project costs that the Authority has incurred during the period September 11, 2001 through September 30, 2002. The Authority received a Federal grant in the amount of $751,348 for reimbursement of projects relating to additional security measures being undertaken to comply with heightened security requirements. The Authority also received a Federal grant in the amount of $616,555 for reimbursement of various operational and small capital cost.

**PORT AUTHORITY CONSOLIDATION AND JOINDER AGREEMENT**

The County of Franklin, Ohio (the County) Board of Commissioners approached the Mayor and officials of the City of Columbus, Ohio (the City) with the idea of creating one port authority in the summer of 2001 to oversee the airports currently managed by the Authority and Rickenbacker Port Authority (RPA). The County and the City formed a committee, the Regional Port Authority Study Committee (RPASC), to evaluate the structure of the current central Ohio port authorities and explore the possibilities of creating a single regional authority. The RPASC concluded that there appeared to be potential for achieving cost savings, operational efficiencies and other intangible synergies by creating a single regional airport authority. The Authority concurred with the findings and recommendations of the RPASC for completing additional due diligence and finalizing an agreement with the City and the County to create a merged regional airport authority to oversee the operation of Rickenbacker, Port Columbus International, and Bolton Field airports. Under this agreement RPA would be dissolved, the Authority would be the surviving entity and would be renamed The Columbus Regional Airport Authority (CRAA). On December 12, 2002, the City, the Authority and the County entered into the Port Authority Consolidation and Joinder Agreement with an effective date of January 1, 2003. Additional information may be found in Note 13 of the accompanying notes to the financial statements.

# Notes

# Statements of Net Assets

As of December 31, 2002 and 2001

| | 2002 | 2001 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| UNRESTRICTED ASSETS: | | |
| CASH AND CASH EQUIVALENTS - CASH AND INVESTMENTS | $ 18,289,959 | $ 23,051,701 |
| ACCOUNTS RECEIVABLE - TRADE | 4,502,136 | 4,695,219 |
| ACCOUNTS RECEIVABLE - OTHER | 573,722 | - |
| DIRECT FINANCING LEASES RECEIVABLE | 490,804 | 490,804 |
| DEPOSITS, PREPAID ITEMS AND OTHER | 636,950 | 255,780 |
| TOTAL UNRESTRICTED ASSETS | 24,493,571 | 28,493,504 |
| RESTRICTED ASSETS: | | |
| CASH AND CASH EQUIVALENTS - CASH AND INVESTMENTS | 100,522,972 | 100,213,175 |
| OTHER RECEIVABLES | 2,264,658 | 1,926,351 |
| TOTAL RESTRICTED ASSETS | 102,787,630 | 102,139,526 |
| TOTAL CURRENT ASSETS | 127,281,201 | 130,633,030 |
| NON-CURRENT ASSETS: | | |
| DEFERRED CHARGES (NET OF ACCUMULATED AMORTIZATION OF $903,667 FOR 2002 AND $737,228 FOR 2001) | 1,857,135 | 2,023,574 |
| ACCOUNTS RECEIVABLE - OTHER | 1,282,664 | - |
| DIRECT FINANCING LEASES RECEIVABLE | 3,803,727 | 4,294,531 |
| CAPITAL ASSETS - (INCLUDES ANNUAL CAPITALIZED INTEREST COSTS OF $581,458 FOR 2002 AND $346,098 FOR 2001): | | |
| LAND | 24,719,836 | 20,859,774 |
| BUILDINGS AND BUILDING IMPROVEMENTS | 252,585,223 | 237,915,611 |
| RUNWAYS, TAXIWAYS AND OTHER | 150,914,408 | 141,470,580 |
| MACHINERY AND EQUIPMENT | 18,663,365 | 17,185,047 |
| FURNITURE AND FIXTURES | 727,371 | 750,608 |
| CONSTRUCTION IN PROGRESS | 11,118,065 | 8,343,603 |
| TOTAL CAPITAL ASSETS | 458,728,268 | 426,525,223 |
| LESS ACCUMULATED DEPRECIATION | (128,522,599) | (115,728,762) |
| TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION) | 330,205,669 | 310,796,461 |
| TOTAL NON-CURRENT ASSETS | 337,149,195 | 317,114,566 |
| TOTAL ASSETS | $464,430,396 | $447,747,596 |

*SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS*

# Statements of Net Assets (Continued)

As of December 31, 2002 and 2001

| | 2002 | 2001 |
|---|---|---|
| Liabilities | | |
| Current Liabilities: | | |
| Payable from Unrestricted Assets: | | |
| Accounts Payable - Trade | $ 4,369,973 | $ 6,381,851 |
| Accrued Interest Payable | 3,148,544 | 3,191,985 |
| Accrued and Withheld Employee Benefits | 2,634,306 | 2,536,192 |
| Unearned income | 164,244 | 164,244 |
| Other Accrued Expenses | 5,876,792 | 1,858,910 |
| Total Payable from Unrestricted Assets | 16,193,859 | 14,133,182 |
| Payable from Restricted Assets: | | |
| Accounts Payable | 1,126,335 | 1,084,571 |
| Retainages on Construction Contracts | 1,086,807 | 1,100,410 |
| Accrued Interest Payable | 338,572 | 429,857 |
| Customer Deposits and Other | 159,181 | 197,971 |
| Current Portion of Long-Term Debt | 7,654,000 | 7,004,000 |
| Total Payable from Restricted Assets | 10,364,895 | 9,816,809 |
| Total Current Liabilities | 26,558,754 | 23,949,991 |
| Non-Current Liabilities: | | |
| Unearned Income | 1,135,001 | 1,437,131 |
| Long-Term Debt, less Current Portion, net | 131,699,500 | 139,282,310 |
| Other Long-Term Borrowing | 4,000,000 | 4,000,000 |
| Total Non-Current Liabilities | 136,834,501 | 144,719,441 |
| Total Liabilities | 163,393,255 | 168,669,432 |
| Net Assets | | |
| Invested in Capital Assets, net of Related Debt | 193,788,769 | 167,446,751 |
| Restricted: | | |
| Capital Expenditures | 32,456,641 | 38,375,659 |
| Passenger Facility Charges | 40,020,265 | 34,358,592 |
| Bond Reserves | 22,080,943 | 20,850,750 |
| Obligation Due to City | 5,518,885 | 5,741,716 |
| Total Restricted Net Assets | 100,076,734 | 99,326,717 |
| Unrestricted Net Assets | 7,171,638 | 12,304,696 |
| Total Net Assets | 301,037,141 | 279,078,164 |
| Commitments and Contingencies | | |
| Total Liabilities and Net Assets | $464,430,396 | $447,747,596 |

*See accompanying notes to the financial statements*

# Statements of Revenues, Expenses, and Changes in Net Assets

For the years ended December 31, 2002 and 2001

| | 2002 | 2001 |
|---|---|---|
| Operating Revenues | | |
| Rentals and Fees | $ 22,839,514 | $ 26,247,454 |
| Landing Fees | 7,628,948 | 8,972,759 |
| Parking Revenue | 18,811,184 | 19,326,699 |
| Other Revenue | 1,159,963 | 906,181 |
| Total Operating Revenues | 50,439,609 | 55,453,093 |
| Operating Expenses | | |
| Employee Wages and Benefits | 17,515,769 | 15,732,275 |
| Purchase of Services | 12,839,439 | 10,929,216 |
| Materials and Supplies | 1,606,731 | 1,625,692 |
| Other Expenses | 1,360 | 175,419 |
| Total Operating Expenses | 31,963,299 | 28,462,602 |
| Operating Income Before Depreciation | 18,476,310 | 26,990,491 |
| Depreciation | 14,967,012 | 25,165,629 |
| Operating Income | 3,509,298 | 1,824,862 |
| Non-Operating Revenues (Expenses) | | |
| Investment Income: | | |
| Interest Income | 1,310,058 | 3,411,150 |
| Net Increase in the Fair Value of Investments | - | 153,804 |
| Other Non-Operating Revenue | 2,384,586 | 287,500 |
| Passenger Facility Charges | 13,350,787 | 10,750,429 |
| Interest Expense | (7,178,961) | (7,474,556) |
| Amortization of Deferred Charges | (131,994) | (127,850) |
| Loss on Disposal of Assets | (71,555) | (3,291,331) |
| Total Non-Operating Revenues | 9,662,921 | 3,709,146 |
| Income Before Capital Contributions | 13,172,219 | 5,534,008 |
| Capital Contributions | 8,786,758 | 8,333,070 |
| Changes In Net Assets | | |
| Increase in Net Assets | 21,958,977 | 13,867,078 |
| Total Net Assets, beginning of year | 279,078,164 | 265,211,086 |
| Total Net Assets, end of year | $301,037,141 | $279,078,164 |

*See accompanying notes to the financial statements*

# Statements of Cash Flows

For the years ended December 31, 2002 and 2001

| | 2002 | 2001 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Cash Received from Customers | $48,776,306 | $ 55,038,982 |
| Cash Paid to Employees | (17,417,655) | (15,208,577) |
| Cash Paid to Suppliers | (12,860,126) | (9,160,576) |
| Other Payments | (1,360) | (175,420) |
| Net Cash Provided by Operating Activities | 18,497,165 | 30,494,409 |
| **Cash Flows From Capital and Related Financing Activities** | | |
| Purchases of Property, Plant and Equipment | (34,851,795) | (28,612,905) |
| Contributed Capital and Passenger Facility Charges | 21,799,238 | 19,399,615 |
| Principal Payments on Bond, Notes and Loan | (7,004,000) | (6,395,000) |
| Interest Paid on Bonds and Loan | (7,208,052) | (7,608,063) |
| Proceeds from Series 2001A Bonds | - | 3,265,600 |
| Direct Financing Leases | - | (3,265,600) |
| Proceeds from the Sale of Capital Assets | 423,328 | 19,706 |
| Principal Payments from direct Financing Leases | 326,560 | 81,640 |
| Effective Interest on Direct Financing Leases | (137,886) | - |
| Other Cash Flows from Capital and Related Financing Activities | 2,393,439 | 287,500 |
| Net Cash Used by Capital and Related Financing Activities | (24,259,168) | (22,827,507) |
| **Cash Flows From Investing Activities** | | |
| Proceeds from Maturity of Investment Securities | - | 10,227,055 |
| Interest Received on Cash and Investments | 1,310,058 | 3,642,033 |
| Net Cash Provided by Investing Activities | 1,310,058 | 13,869,088 |
| Net (Decrease) Increase in Cash and Cash Equivalents | (4,451,945) | 21,535,990 |
| Cash and Cash Equivalents, Beginning of Year | 123,264,876 | 101,728,886 |
| Cash and Cash Equivalents, End of Year | $118,812,931 | $123,264,876 |
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities:** | | |
| Operating Income | $ 3,509,298 | $ 1,824,862 |
| Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities: | | |
| Depreciation | 14,967,012 | 25,165,629 |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable - Trade | 193,083 | (414,112) |
| Accounts Receivable - Other | (1,856,386) | - |
| Deposits, Prepaid Items and Other | (381,170) | (24,718) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (2,011,878) | 4,325,283 |
| Accrued Liabilities | 4,115,996 | (409,802) |
| Customer Deposits | (38,790) | 27,267 |
| Net Cash Provided by Operating Activities | $18,497,165 | $ 30,494,409 |

Non Cash Investing Activities:

The Net Increase in the Fair Value of Investments was $153,804 for 2001

*See accompanying notes to the financial statements*

# Notes to Financial Statements

December 31, 2002 and 2001

The accounting methods and procedures adopted by the Columbus Municipal Airport Authority (the Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The following notes are an integral part of the Authority's financial statements.

## Note 1 – Organization and Reporting Entity

### Organization

The Authority is an independent, special purpose political subdivision of the State of Ohio. The Authority was created on July 30, 1990, pursuant to the provisions of Chapter 4582, Ohio Revised Code (ORC), as a body corporate and politic. On November 10, 1991, the transfer date, the Authority began operations under a use agreement with the City of Columbus (City) for the purpose of providing airport facilities to the general public. On this date the City transferred the use of all assets and liabilities of the Airport enterprise fund to the Authority. This transfer was recorded at the net book value. As a political subdivision, the Authority is distinct from, and is not, an agency of the State of Ohio or any other local governmental unit.

The Authority is governed by a nine member Board of Directors (the Board) appointed by the Mayor of the City with the advice and consent of the City Council. The members first appointed serve staggered terms. Thereafter, each successor serves for a term of four years, except that any person appointed to fill a vacancy is to be appointed to serve only the unexpired term. Members of the Board are eligible for reappointment. The Board controls the employment of the Executive Director of the Authority who is responsible for staffing the respective departments and overseeing the day-to-day operations.

The Authority administers an airport system comprised of Port Columbus International and a reliever airport, Bolton Field.

The Authority is not subject to Federal, state or local income taxes or sales taxes.

### Reporting Entity

The Authority's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "The Reporting Entity." The financial statements include all departments and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organizations other than the Authority itself are included in the financial reporting entity.

The Authority's Board is appointed by the Mayor of the City with the advice and consent of City Council. As of December 31, 2002, the Authority has a liability to the City in the amount of $4,000,000 for past operating advances. Under GASB Statement No. 14 this is considered to be a financial burden on the City; also the City can impose its will on the Authority through the appointment of the members of the Board of Directors. Therefore, the Authority is a component unit of the City whose financial statements are discretely presented in the City's basic financial statements.

## Note 2 – Summary of Significant Accounting Policies

### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenues from rental and fees, landing fees, parking revenue and other miscellaneous revenue are reported as operating revenues. Transactions, which are capital, financing or investing related, are reported as non-operating revenues. Passenger Facility Charges are reported as non-operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting" the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Budgetary Data

The Authority's budgetary basis of accounting is maintained on a modified accrual basis. This basis of accounting differs from GAAP in that certain expenditures are reported as expenses on a cash basis. This would include an expense classification for the principal portion of debt service payable during the year or immediately after year end and some capital assets expected to be acquired. Amortization of Deferred Charges and Loss on Disposal of Assets are not budgeted. All other revenues and expenses are reported on the accrual basis. State statute does not require a specific budgetary basis of accounting under ORC Section 4582. The Authority has adopted this basis of accounting to comply with certain airline agreements currently in effect.

The budgetary process begins in June of each year. Each department manager estimates the expected costs to be incurred for the upcoming year. Revenues are estimated based on history, projected increases, and market trends within the aviation industry. The Executive Director is responsible to submit budgets for operating revenues and expenses and capital improvements to the Board for approval at least sixty days prior to the beginning of each fiscal year. The budget can be amended by the Board subsequent to its adoption. The 2002 budget was not revised.

In 2002, the unfavorable variances for Amortization of Deferred Charges and Loss on Disposal of Assets were due to the fact that these items are not reimbursable items under the current airline agreement and are not budgeted. The unfavorable variance in Rental and Fees was due to the Authority proactively reducing certain airline related expenses as a result of the events of September 11, 2001, thereby reducing the operating cost to the airlines and reducing the airline revenues due to the Authority. Lower passenger traffic due to the events of September 11, 2001, resulted in unfavorable variances in Passenger Facility Charges and Landing Fees. Interest Income was below the budgeted amount due to lower than anticipated interest rates.

## Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

## Investments

Investments are stated at fair value in accordance with GASB Statement No. 31.

## Capital Contributions

Certain expenditures for airport capital improvements are significantly Federally funded through the Airport Improvement Program of the Federal Aviation Administration (FAA) with certain matching funds provided by the State of Ohio and the Authority, or from various state or federal grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for the acquisition and construction of land, property and certain types of equipment are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenue and expenses as capital contributions.

## Receivables

Receivables are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables are reduced by the estimated portion that is expected to be uncollectible. This estimate is made based on collection history, aviation industry trends and current information regarding the credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected.

An estimated receivable amount has been recorded for services rendered but not yet billed as of December 31, 2002 and 2001. The receivable was arrived at primarily by taking the subsequent collection of landing fees, commissions, and real estate taxes, which are received after year end, and recording the portions earned at year end.

## Restricted Assets

Restricted assets consist of monies and other resources, which are restricted legally or by enabling legislation. These restrictions are described below:

**Restricted for Obligation Due to City** - These assets are restricted for the payment of the current obligation due to City.

**Restricted for Capital Expenditures and Construction Retainages** - These assets are restricted for certain capital projects and cannot be expended on any other item.

**Restricted for Bond Reserves** - These assets are restricted for the retirement of the Airport Improvement Revenue Bonds, Series 1994A, 1998A and 1998B.

**Restricted for Passenger Facility Charges** - These assets represent Passenger Facility Charge (PFC) collections based on an approved FAA application to impose such charges on enplaned passengers at the Airport. These are restricted for designated capital projects.

## Capital Assets

Capital assets are stated at historical cost or estimated historical cost and include expenditures which substantially increase the useful lives of existing assets. The Authority's policy is to capitalize assets with a cost of $1,000 or more. Routine maintenance and repairs are expensed as incurred. In accordance with FASB Statements No. 34 and 62, "Capitalization of Interest Costs" and "Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants," certain net interest costs have been included as a component of the asset under construction rather than reported as an expense of the period.

| | Total 12/31/01 | Additions | Deletions | Total 12/31/02 |
|---|---|---|---|---|
| Capital Assets: | | | | |
| Land | $ 20,859,774 | $ 4,242,420 | $ (382,358) | $ 24,719,836 |
| Buildings | 237,915,611 | 14,808,109 | (138,497) | 252,585,223 |
| Runways & Other | 141,470,580 | 11,156,756 | (1,712,928) | 150,914,408 |
| Machinery | 17,185,047 | 1,922,341 | (444,023) | 18,663,365 |
| Furniture | 750,608 | 57,508 | (80,745) | 727,371 |
| CIP | 8,343,603 | 11,118,065 | (8,343,603) | 11,118,065 |
| Total Capital Assets | 426,525,223 | 43,305,199 | (11,102,154) | 458,728,268 |
| Less Accumulated Depreciation: | | | | |
| Buildings | 54,018,633 | 6,127,734 | (170,387) | 59,975,980 |
| Runways & Other | 52,111,521 | 7,155,825 | (1,562,022) | 57,705,324 |
| Machinery | 9,074,621 | 1,613,898 | (369,715) | 10,318,804 |
| Furniture | 523,987 | 69,555 | (71,051) | 522,491 |
| Total Accumulated Depreciation | 115,728,762 | 14,967,012 | (2,173,175) | 128,522,599 |
| Net Capital Assets | $310,796,461 | $28,338,187 | $(8,928,979) | $330,205,669 |

Depreciation of property and equipment is computed under the straight-line method at various rates considered adequate to allocate the cost over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

| | Years |
|---|---|
| Buildings and Building Improvements | 5-40 |
| Runways, Taxiways and Other | 20 |
| Machinery and Equipment | 5-10 |
| Furniture and Fixtures | 7 |

Effective January 1, 2001, the Authority changed its accounting estimates relating to depreciation as a result of the reevaluation of the useful lives of Runways, Taxiways and Other. After consideration of industry standards and historical replacement information, these assets' lives were reduced from 40 years to 20 years. The effect of this change in estimate increased depreciation expense for the year ended December 31, 2001 by $14,120,320 and reduced Operating Income by the same amount.

## Compensated Absences

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences," the Authority accrues vacation and sick pay benefits as earned by its employees utilizing the vesting method. As of December 31, 2002 and 2001, this liability was $1,830,340 and $1,608,162, respectively.

## Risk Management

It is the policy of the Authority to eliminate or transfer risk. Where possible, lease agreements contain insurance requirements and hold harmless clauses. Contractors are required to maintain appropriate amounts of insurance and bonding. The Authority does not self-insure any risk resulting from acts of God, injury to employees, or breach of contract.

The Authority carries property insurance on airport property and equipment in the aggregate sum of approximately $343 million. The Authority carries liability insurance coverage in the amount of approximately $212 million. There have been no significant changes in coverage or settlements in excess of insurance coverage during the past three years.

## Pension Plans

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred (See Note 8).

## Revenue

Rental income is recorded from the majority of leases maintained by the Authority which are accounted for as operating leases. Rental income is generally recognized as it is earned over the respective lease terms.

Other types of revenue are recognized when earned, as the underlying exchange transaction occurs.

Landing fees are based upon projections of operations and are recalculated annually.

## Passenger Facility Charges

Passenger facility charges (PFCs), along with related interest income, will be recognized and recorded in the year the PFC is levied and collected by the air carrier, net of an allowance for estimated ticket refunds.

PFC monies are legally restricted for capital projects and related expenditures, and cannot be used for any other purpose. The PFC monies will be used to assist in funding an ambitious capital improvement program involving a concourse expansion, runway, taxiway and apron improvements, the funding of debt service associated with these projects and various other projects.

## Interest Rate Swaps

The Authority has entered into an interest rate swap agreement to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from this agreement, no amounts are recorded in the financial statements.

## Reclassifications

Certain amounts in the 2001 financial statements have been reclassified to conform with the 2002 presentation.

## Note 3 – Cash and Cash Equivalents

The Authority follows the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", and records all investments at their fair value.

The investment and deposit of Authority monies is governed by the provisions of the ORC. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's Asset Reserve (STAR

Ohio) investment pool, and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days. The Authority has an investment policy consistent with Ohio Senate Bill 81.

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 generally consistent with 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, 2002.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Authority's name.

During 2002 and 2001, the Authority complied with the provisions of these statutes.

## Deposits with Financial Institutions

At December 31, 2002, the carrying amount of the Authority's deposits with financial institutions was $1,726,070 and the bank balance was $4,287,101. Based upon criteria described in GASB Statement No. 3 "Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements", $284,670 of the bank balance was covered by deposit insurance provided by the FDIC; and $4,002,431 was uncollateralized as defined by the GASB. These uncollateralized deposits were, however, covered by a pledged collateral pool in accordance with the ORC as discussed above.

At December 31, 2001 the carrying amount of the Authority's deposits with financial institutions was $1,693,931 and the bank balance was $1,379,393. Based upon criteria described in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements", $300,000 of the bank balance was covered by deposit insurance provided by the FDIC; and $1,079,393 was uncollateralized as defined by the GASB. These uncollateralized deposits were, however, covered by a pledged collateral pool in accordance with the ORC as discussed above.

In addition, the Authority had $3,490 and $4,890 in cash on hand at December 31, 2002 and 2001, respectively.

## Investments

The Authority's investments are categorized in accordance with the criteria established by the GASB to give an indication of the level of risk assumed as of December 31, 2002 and 2001. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority's name. Deposits and equities in pools of funds managed by other governmental units are not categorized.

**Investments are detailed and categorized as follows as of December 31, 2002:**

| | Category | | | |
|---|---|---|---|---|
| Description | 1 | 2 | 3 | Fair Value |
| Unrestricted- | | | | |
| Repurchase | | | | |
| Agreement | - | - | $4,496,546 | $ 4,496,546 |
| Total | - | - | $4,496,546 | |
| Investment in Money Market Account | | | | 21,229,530 |
| Investment in STAR Ohio | | | | 91,357,295 |
| Total Investments | | | | $ 117,083,371 |

**Investments are detailed and categorized as follows as of December 31, 2001:**

| | Category | | | |
|---|---|---|---|---|
| Description | 1 | 2 | 3 | Fair Value |
| Unrestricted- | | | | |
| Repurchase | | | | |
| Agreement | - | - | $2,987,468 | $ 2,987,468 |
| Total | - | - | $2,987,468 | |
| Investment in Money Market Account | | | | 21,705,898 |
| Investment in STAR Ohio | | | | 96,872,689 |
| Total Investments | | | | $ 121,566,055 |

## Off-Balance Sheet Risk

The Authority's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest rate movements and fluctuations embodied in forward, futures, commodity or security prices. Market risk is directly impacted by the volatility and liquidity for the markets in which the related underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The Authority's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the statement of net assets and is not represented by the contract or notional amounts of the instruments.

## Note 4 – Restricted Cash and Investments

**The following amounts represent restricted cash and investments as of December 31, 2002 and 2001:**

| | 2002 | 2001 |
|---|---|---|
| Cash and Cash Equivalents | | |
| Restricted for Capital Expenditures | $ 32,683,618 | $ 38,638,147 |
| Restricted for Passenger Facility Charges | 38,654,966 | 33,254,324 |
| Restricted for Debt Service | 22,080,943 | 20,850,750 |
| Obligation Due To City (Including Interest) | 5,857,457 | 6,171,573 |
| Retainages on Construction Contracts | 1,086,807 | 1,100,410 |
| Customer Deposits and Other | 159,181 | 197,971 |
| Total Restricted Cash | $100,522,972 | $100,213,175 |

## Note 5 – Receivables

**The following amounts represent receivables due to the Authority at December 31, 2002 and 2001:**

| | 2002 | 2001 |
|---|---|---|
| UNRESTRICTED: | | |
| CURRENT: | | |
| ACCOUNTS RECEIVABLE - TRADE | $5,035,897 | $5,277,694 |
| LESS ALLOWANCE FOR UNCOLLECTIBLES | 533,761 | 582,475 |
| TOTAL CURRENT UNRESTRICTED TRADE RECEIVABLES | 4,502,136 | 4,695,219 |
| ACCOUNTS RECEIVABLE – OTHER | 573,722 | - |
| NON-CURRENT: | | |
| ACCOUNTS RECEIVABLE - OTHER | 1,282,664 | - |
| TOTAL UNRESTRICTED RECEIVABLES | $6,358,522 | $4,695,219 |
| RESTRICTED FOR CAPITAL EXPENDITURES: | | |
| RECEIVABLE DUE FROM OTHER GOVERNMENT | $ 899,359 | $ 822,083 |
| PASSENGER FACILITY CHARGES RECEIVABLE | 1,365,299 | 1,104,268 |
| TOTAL RESTRICTED RECEIVABLES | $2,264,658 | $1,926,351 |

The restricted amounts listed above, with the exception of PFCs, are based on expenditures incurred or interest earned by the Authority under terms of the grant agreements, legislation or bond restrictions. PFCs are based on the amount of PFCs collected by the air carriers but not yet remitted to the Authority.

## Note 6 – Direct Financing Lease

Under direct financing leases, the Authority leases certain rental car facilities within the parking facility (See Note 7). The components of lease receivable for the net investment in direct financing leases are as follows as of December 31:

| | 2002 | 2001 |
|---|---|---|
| TOTAL MINIMUM LEASE RECEIVABLES | $4,294,531 | $4,785,335 |
| LESS UNEARNED INCOME | 1,299,245 | 1,601,375 |
| NET INVESTMENT IN DIRECT FINANCING LEASES | $2,995,286 | $3,183,960 |
| CURRENT PORTION | $ 326,560 | $ 326,560 |
| NON-CURRENT PORTION | 2,668,726 | 2,857,400 |
| | $2,995,286 | $3,183,960 |

Future minimum lease receivables due from tenants under direct financing leases as of December 31, 2002, are as follows:

| | |
|---|---|
| 2003 | $ 490,804 |
| 2004 | 490,804 |
| 2005 | 490,804 |
| 2006 | 490,804 |
| 2007 | 490,804 |
| 2008-2011 | 1,840,511 |

Unearned Income on direct financing leases is recognized in such a manner as to produce a constant periodic rate of return on the net investment in the direct financing lease. During 2002, $302,130 of interest was recognized reducing the balance of Unearned Income from $1,437,131 to $1,135,001.

## Note 7 - Long-Term Debt

### Revenue bonds

On August 1, 1994, the Authority issued $37,160,000 of Airport Improvement Revenue Bonds, Series 1994A. The bond proceeds were used to construct a four gate terminal expansion, runway improvements and related facilities. The bonds are due at maturity or through mandatory sinking fund redemption requirements in annual installments of $475,000 to $2,630,000 through January 1, 2024. Interest rates range from 4.65% to 6.25% with a weighted average rate of 5.93%. Revenue bonds payable at December 31, 2002, net of unamortized discount of $483,910, are $32,941,090 and at December 31, 2001, net of unamortized discount of $521,780, are $33,648,220. The revenue bonds are collateralized by revenue of the Authority established by the trust indenture.

On February 1, 1998, the Authority issued $5,915,000 of Airport Improvement Revenue Bonds, Series 1998A. The bond proceeds were used to construct a new parking facility and terminal apron improvements. The bonds are due at maturity or through mandatory sinking fund redemption requirements in annual installments of $590,000 to $1,765,000 through January 1, 2005. The interest rate paid annually is 4.50%. Revenue bonds payable at December 31, 2002, net of unamortized premium of $4,902, are $4,284,902 and at December 31, 2001, net of unamortized premium of $11,027, are $5,336,027. The revenue bonds are collateralized by revenue of the Authority established by the trust indenture.

On February 1, 1998, the Authority issued $81,375,000 of Airport Improvement Revenue Bonds, Series 1998B. The bond proceeds were used to construct a new parking facility and improve landside roadways and terminal aprons. The bonds are due at maturity or through mandatory sinking fund redemption requirements in annual installments of $1,010,000 to $5,685,000 through January 1, 2028. Interest rates range from 4.50% to 5.25% with a weighted average rate of 5.03%. Revenue bonds payable at December 31, 2002, net of unamortized discount of $629,092, are $80,745,908 and at December 2001, net of unamortized discount of $668,537, are $80,706,463. The revenue bonds are collateralized by revenue of the Authority established by the trust indenture.

On June 1, 2001, the Authority issued $3,265,600 of Airport Improvement Revenue Bonds, Series 2001A. The bond proceeds were used to construct certain rental car facilities within the parking facility. The bonds are due at maturity or through mandatory sinking fund redemption requirements in annual installments of $105,000 to $448,000 through June 1, 2011. Interest rates change monthly based on London Interbank Offered Rate (LIBOR) plus 135 basis points. This rate shall not exceed 12% per year. Revenue bonds payable at December 31, 2002 and 2001, are $2,936,600 and $3,160,600, respectively. The revenue bonds are collateralized by certain rental car revenues of the Authority established by the trust indenture.

On June 1, 2001, simultaneous with the delivery of the Authority's $3,265,000 Airport Improvement Revenue Bonds, Series 2001A, (the bonds), the Authority entered into an Interest Rate Swap Agreement (Agreement.) Under this Agreement, the Authority and the swap counterparty are obligated to make monthly payments to each other. The Authority's monthly obligation to the counterparty to the swap is equal to the interest calculated at a fixed annual rate of 8.74%. The swap counterparty's monthly obligation is equal to the interest that is payable during a particular month at the variable rate then in effect for the bonds. Only the net difference in interest payments is exchanged with the counterparty.

The Authority continues to pay interest to the bondholders at the variable rate provided by the bonds. The effect of the Agreement is that the Authority pays interest on the bonds at a fixed annual rate of 8.74% and the principal payments on the bonds have been structured based on that effective fixed interest rate. The Authority would have to pay interest on the bonds at the stated variable rate if the Agreement was terminated prior to the final maturity of the bonds. Termination of the Agreement may also result in the Authority either making or receiving a termination swap payment.

**Long-term revenue bond activity for the year ended December 31, 2002 is summarized as follows:**

| | Beginning Balance | New Debt | Principal Repayment | Ending Balance |
|---|---|---|---|---|
| Bonds: | | | | |
| 1994A | $ 34,170,000 | $ - | $ 745,000 | $ 33,425,000 |
| 1998A | 5,325,000 | - | 1,045,000 | 4,280,000 |
| 1998B | 81,375,000 | - | - | 81,375,000 |
| 2001A | 3,160,600 | - | 224,000 | 2,936,600 |
| | 124,030,600 | - | 2,014,000 | 122,016,600 |
| Less Current Portion | 2,014,000 | | | 2,709,000 |
| | $122,016,600 | | | $119,307,600 |

**Maturities and interest on bonds payable for the next five years and in subsequent five-year periods as of December 31, 2002 are as follows:**

| | Principal | Interest |
|---|---|---|
| 2003 | $ 2,709,000 | $ 6,427,797 |
| 2004 | 2,856,000 | 6,278,392 |
| 2005 | 3,001,000 | 6,122,199 |
| 2006 | 3,161,000 | 5,956,272 |
| 2007 | 3,331,000 | 5,769,914 |
| 2008-2012 | 19,008,600 | 25,579,064 |
| 2013-2017 | 22,865,000 | 19,736,925 |
| 2018-2022 | 29,675,000 | 12,554,075 |
| 2023-2027 | 29,725,000 | 4,167,625 |
| 2028 | 5,685,000 | - |
| Total | $122,016,600 | $92,592,263 |

Unamortized discount at December 31, 2002 was $1,108,100.

## Obligation Due to City

The Authority has entered into a long-term Airport Operation and Use Agreement with the City for the operation and use of Port Columbus International and Bolton Field Airports and for financing the acquisition of the airport assets. The agreement provides for payments which match exactly in timing and amount the debt service payments by the City on general obligation bonds previously issued in connection with the airports.

During 1999, portions of the Obligation were refinanced. The refinancing generated $310,000 of additional obligation due to the refinancing costs. These costs were capitalized and are being amortized over the remaining life of the Obligation. In 2002 and 2001, amortization associated with the refinancing costs was $34,445 annually. The Authority anticipates net interest cost savings of approximately $750,000 over the life of the Obligation.

During 2001, portions of the Obligation were refinanced. There was no additional obligation generated due to the refinancing cost. The Authority received a check from the City for $61,656 for interest earnings the City received on proceeds of the refunding bonds dated July 15, 2001, while a portion of the proceeds were held until the October 15, 2001 call date. The Authority anticipates net interest cost savings of approximately $297,495 over the life of the Obligation.

During 2002, $4,990,000 of principal payments were made to the City reducing the December 31, 2001 obligation balance from $23,435,000 to $18,445,000 at December 31, 2002.

**The following schedule lists future payments due under the agreement, together with the amount of the obligation as of December 31, 2002:**

| Year ending December 31: | Principal | Interest |
|---|---|---|
| 2003 | $ 4,945,000 | $ 912,457 |
| 2004 | 4,880,000 | 644,219 |
| 2005 | 4,845,000 | 377,493 |
| 2006 | 1,865,000 | 148,780 |
| 2007 | 1,750,000 | 59,779 |
| 2008 | 160,000 | 3,960 |
| Total | $18,445,000 | $ 2,146,688 |

**The following schedule lists property acquired through the agreement by major classes at December 31, 2002 and 2001:**

| | 2002 | 2001 |
|---|---|---|
| Land | $ 13,079,492 | $13,079,492 |
| Building | 82,632,069 | 82,632,069 |
| Runways, Taxiways and Other | 53,591,667 | 56,561,666 |
| Machinery and Equipment | 3,372,715 | 3,429,796 |
| | 152,675,943 | 155,703,023 |
| Less Accumulated Depreciation | 88,720,680 | 84,616,922 |
| | $ 63,955,263 | $71,086,101 |

## Note 8 – Pension Plans and Other Postemployment Benefits

All Authority employees are required to participate in the statewide Ohio Public Employees Retirement System (OPERS). The plan is a cost-sharing, multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the ORC. In 2002 the employer was required to contribute 13.31% of active member payroll. For full-time employees, the portion of an employee's contribution is equal to 8.5% (6% for part-time employees) to be picked up (assumed and paid) on behalf of the employee, and in lieu of payment by the employee, by the Authority.

Total required employer contributions billed to the Authority were $2,754,786, $2,448,484, and $2,187,780 for the years ended December 31, 2002, 2001, 2000, respectively, and are equal to 100% of the dollar amount extracted from the Authority's records.

The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-PERS (7377).

Other postemployment benefits for health care costs provided by OPERS are as follows:

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Governmental Employers." A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 employer contribution rate for state employers was 13.31% of covered payroll; 5.00% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirements for PERS. The portion of the Authority's 2002 and 2001 contribution that was used to fund postemployment benefits was $1,034,973 and $946,003, respectively. The ORC provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.00%. An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2001, the actuarial value of the Retirement System's net assets available for OPEB was $11.6 billion. The number of active contributing participants was 402,041. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $16.4 billion and $4.8 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing efforts to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

## Note 9 – Capital Contributions

**The Authority has received capital contributions by means of Federal and State grants as follows:**

| | Year ended 2002 | Year ended 2001 |
|---|---|---|
| Federal | $ 8,783,618 | $ 8,328,749 |
| State | 3,140 | 4,321 |
| Total | $ 8,786,758 | $ 8,333,070 |

## Note 10 – Commitments and Contingencies

### Capital Improvements

As of December 31, 2002, the Authority was obligated for completion of certain airport improvements under commitments of approximately $38.4 million. An estimated $9.9 million is eligible for reimbursement from the FAA. The remaining amount is expected to be funded from bond proceeds, current available resources, PFC's and future operations.

### Federally Assisted Programs – Compliance Audits

The Authority participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of December 31, 2002, significant amounts of grant expenditures have not been audited but the Authority believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Authority.

## Note 11 – Property Leased to Others

The Authority is a lessor of space in the Port Columbus International Airport terminal along with other land and buildings on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and redetermination of the rental amounts. Substantially all of the land and building costs in the balance sheet are held by the Authority for the purpose of rental or related use. The net book value of property held for operating leases as of December 31, 2002 and 2001 is $133,268,037 and $126,136,742, respectively.

**Minimum future rentals on noncancelable operating leases to be received in each of the next five years and thereafter are as follows:**

| | |
|---|---|
| 2003 | $ 13,480,706 |
| 2004 | 13,220,320 |
| 2005 | 9,396,424 |
| 2006 | 9,257,027 |
| 2007 | 8,868,576 |
| 2008-2012 | 28,934,881 |
| 2013-2017 | 4,952,629 |
| 2018-2022 | 2,506,299 |
| 2023-2027 | 1,098,750 |
| 2028-2032 | 652,500 |
| 2033-2035 | - |
| | $ 92,368,112 |

Certain airline agreements to lease space in the terminal building and terminal apron areas are subject to fluctuating rates.

Contingent operating revenue aggregated approximately $15,007,000 and $15,350,000, respectively, in 2002 and 2001.

## Note 12 – Related Party Transactions

As of December 31, 2002 and 2001, the Authority owed the City $4 million for past operating advances. This amount has been classified as a non-current liability because management believes that this amount will not be repaid in 2003. Repayment of the advances will be made pending resolution of the compensation to be paid to the Authority for the City's past and future public golf course use. Interest expense, if any, for these advances will be recorded upon resolution of this agreement.

## Note 13 – Subsequent Event

The County of Franklin, Ohio (the County) Board of Commissioners approached the Mayor and officials of the City of Columbus, Ohio (the City) with the idea of creating one port authority in the summer of 2001 to oversee the airports currently managed by the Authority and Rickenbacker Port Authority (RPA). The County and the City formed a committee, the Regional Port Authority Study Committee (RPASC), to evaluate the structure of the current central Ohio port authorities and explore the possibilities of creating a single regional authority. The RPASC concluded that there appeared to be potential for achieving cost savings, operational efficiencies and other intangible synergies by creating a single regional airport authority. The Authority concurred with the findings and recommendations of the RPASC for completing additional due diligence and finalizing an agreement with the City and the County to create a merged regional airport authority to oversee the operations of Rickenbacker, Port Columbus International and Bolton Field airports. Under this agreement RPA would be dissolved, the Authority would be the surviving entity and would be renamed The Columbus Regional Airport Authority (CRAA). On December 12, 2002, the City, the Authority and the County entered into the Port Authority Consolidation and Joinder Agreement (Agreement) with an effective date of January 1, 2003.

The Agreement provides for the ultimate transfer of all of RPA's rights, title and interests in all of the assets and liabilities to CRAA. The governing board will be jointly appointed by the City and the County. Four members are appointed by the Mayor of Columbus, four members are appointed by the County Commissioners and one member is jointly appointed. The agreement outlines the various rights and responsibilities of the City, County and CRAA. These rights and responsibilities generally relate to the operation of the three airports and the provision of services to facilitate those operations. Among those, CRAA will be the operator of the three airports. The County will agree to contribute approximately $4.338 million per year for 10 years to facilitate the consolidated operations. CRAA will agree to make certain payments on behalf of the County to retire certain debt previously issued for capital improvements at the Rickenbacker Airport. Also, the County will agree to waive approximately $88 million of financial aid previously contributed to RPA. The County and the CMAA have agreed to review the County's subsidy if a significant project locates at the Rickenbacker Airport which provides net revenues to the CRAA in an amount greater than the County's subsidy.

# Supplemental Schedule of Revenues and Expenses - Budget vs. Actual - Budget Basis

For the Year Ended December 31, 2002

| | Budget | Actual | Positive/ (Negative) Variance |
|---|---|---|---|
| Operating Revenues | | | |
| Rentals and Fees | $26,689,025 | $22,839,514 | (3,849,511) |
| Landing Fees | 8,617,867 | 7,628,948 | (988,919) |
| Parking Revenue | 18,544,395 | 18,811,184 | 266,789 |
| Other Revenue | 1,267,150 | 1,159,963 | (107,187) |
| Total Operating Revenues | 55,118,437 | 50,439,609 | (4,678,828) |
| Operating Expenses | | | |
| Employee Wages and Benefits | 18,303,258 | 17,515,769 | 787,489 |
| Purchase of Services | 13,030,368 | 12,839,439 | 190,929 |
| Materials and Supplies | 1,976,486 | 1,606,731 | 369,755 |
| Other Expenses | 10,000 | 1,360 | 8,640 |
| Total Operating Expenses | 33,320,112 | 31,963,299 | 1,356,813 |
| Operating Income Before Depreciation | 21,798,325 | 18,476,310 | (3,322,015) |
| Depreciation | 15,415,573 | 14,967,012 | 448,561 |
| Operating Income | 6,382,752 | 3,509,298 | (2,873,454) |
| Non-Operating Revenues (Expenses) | | | |
| Interest Income | 1,901,615 | 1,310,058 | (591,557) |
| Other Non-Operating Revenues | 25,000 | 2,384,586 | 2,359,586 |
| Passenger Facility Charges | 14,500,000 | 13,350,787 | (1,149,213) |
| Interest Expense | (7,721,912) | (7,178,961) | 542,951 |
| Amortization of Deferred Charges | - | (131,994) | (131,994) |
| Loss on Disposal of Assets | - | (71,555) | (71,555) |
| Total Non-Operating Revenues | 8,704,703 | 9,662,921 | 958,218 |
| Income Before Capital Contributions | 15,087,455 | 13,172,219 | (1,915,236) |
| Adjustments to Reconcile GAAP Net Income to Budgeted Net Income: | | | |
| Amortization of Deferred Charges | - | 131,994 | 131,994 |
| Loss on disposal of assets | - | 71,555 | 71,555 |
| Asset Purchases Acquired Through Unrestricted Cash | (912,184) | (501,300) | 410,884 |
| Debt Principal Payments | (7,455,000) | (7,679,000) | (224,000) |
| Total Adjustments | (8,367,184) | (7,976,751) | 390,433 |
| Net Income Adjusted to the Budgetary Basis of Accounting | $ 6,720,271 | $ 5,195,468 | (1,524,803) |

*See accompanying independent auditors' report*

Professionalism

High-Quality Air Service

Responsible Financial Planning and Management

Integrity

Proactive Community Involvement

Appreciation of Others

Develop and Maintain Facilities

Excellence

Organizational and
Operational Excellence

This Page is Intentionally Left Blank.

# Statistical Section (Unaudited)

The Statistical Section presents comparative data (when available) for revenue, expenses, obligation coverage, demographic statistics, schedule of insurance in force and industry specific statistics. Statistical schedules differ from financial statements because they usually cover more than one fiscal year and may present nonaccounting data. These schedules reflect social and economic data and financial trends of the Authority.

# Revenues and Expenses by Type

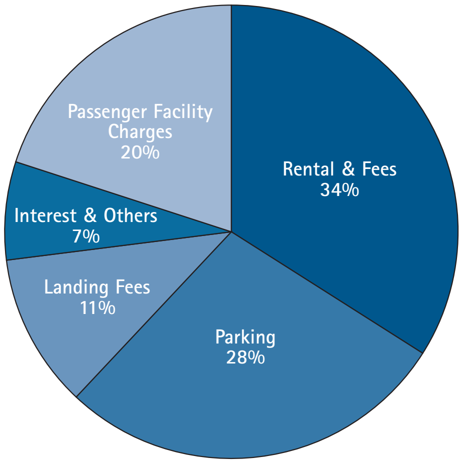
For the Ten Years Ended December 31, 2002 (dollars in thousands)

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | |
| Rentals and fees | $22,839 | 26,247 | 24,013 | 19,060 | 19,098 | 16,707 | 15,461 | 14,625 | 14,431 | 13,661 |
| Landing fees | 7,629 | 8,973 | 8,727 | 9,743 | 9,795 | 9,534 | 8,329 | 7,515 | 8,279 | 8,047 |
| Parking | 18,811 | 19,327 | 18,862 | 14,975 | 11,447 | 12,144 | 11,300 | 8,583 | 7,109 | 6,259 |
| Investment income | 1,310 | 3,565 | 4,664 | 3,747 | 5,466 | 2,139 | 1,957 | 2,275 | 1,167 | 641 |
| Passenger Facility Charges | 13,351 | 10,750 | 11,523 | 11,486 | 11,332 | 10,920 | 10,573 | 9,092 | 8,015 | 7,201 |
| Other | 3,544 | 1,194 | 957 | 687 | 414 | 338 | 541 | 456 | 315 | 269 |
| | 67,484 | 70,056 | 68,746 | 59,698 | 57,552 | 51,782 | 48,161 | 42,546 | 39,316 | 36,078 |
| Expenses: | | | | | | | | | | |
| Employee wages and benefits | 17,516 | 15,732 | 15,396 | 12,505 | 11,504 | 10,402 | 9,562 | 8,256 | 6,805 | 6,141 |
| Purchase of services | 12,839 | 10,929 | 13,217 | 9,869 | 6,242 | 6,222 | 5,449 | 5,906 | 6,684 | 5,784 |
| Materials and supplies | 1,607 | 1,626 | 1,649 | 1,499 | 1,266 | 1,295 | 1,362 | 1,119 | 833 | 729 |
| Depreciation | 14,967 | 25,166 | 8,953 | 7,783 | 7,280 | 7,077 | 5,947 | 5,086 | 4,530 | 4,197 |
| Interest expense | 7,179 | 7,475 | 7,142 | 6,906 | 7,444 | 5,329 | 5,638 | 5,532 | 4,735 | 4,459 |
| Other | 205 | 3,594 | 137 | 183 | 424 | 236 | 243 | 409 | 494 | 16 |
| | 54,312 | 64,522 | 46,494 | 38,745 | 34,160 | 30,561 | 28,201 | 26,308 | 24,081 | 21,326 |
| Income before capital contributions | $13,172 | 5,534 | 22,252 | 20,953 | 23,392 | 21,221 | 19,960 | 16,238 | 15,235 | 14,752 |

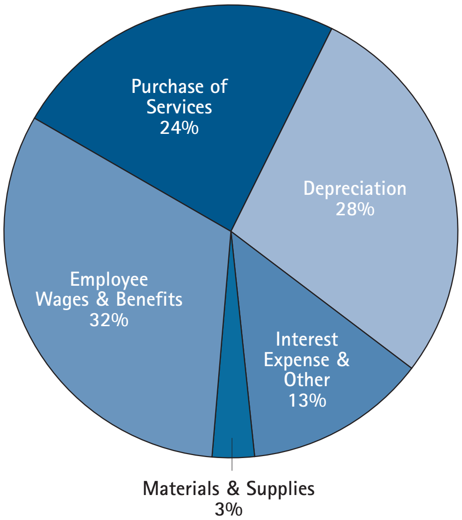
*Source: The Authority Finance Division*

# 2002 Revenue and Expense Breakdown by Type

## Composition of Revenues




## Composition of Expense



# Revenues and Expenses by Area

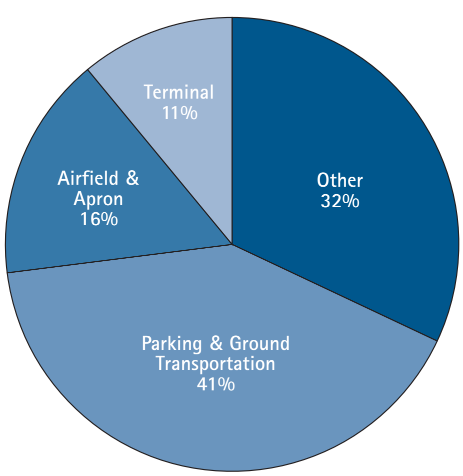
For the Ten Years Ended December 31, 2002 (dollars in thousands)

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|---|---|---|---|
| REVENUES: | | | | | | | | | | |
| PARKING & GROUND TRANSPORTATION | $27,654 | 28,055 | 27,536 | 15,103 | 11,670 | 12,211 | 11,386 | 8,632 | 7,224 | 6,498 |
| AIRFIELD & APRON | 10,869 | 12,513 | 10,488 | 10,197 | 10,231 | 9,957 | 8,712 | 7,928 | 8,655 | 8,418 |
| TERMINAL | 7,307 | 10,330 | 9,863 | 15,148 | 15,161 | 13,862 | 11,916 | 11,313 | 10,993 | 10,318 |
| OTHER | 21,655 | 19,158 | 20,859 | 19,250 | 20,490 | 15,752 | 16,147 | 14,673 | 12,444 | 10,844 |
| | $67,485 | 70,056 | 68,746 | 59,698 | 57,552 | 51,782 | 48,161 | 42,546 | 39,316 | 36,078 |
| EXPENSES: | | | | | | | | | | |
| (EXCLUDING DEPRECIATION) | | | | | | | | | | |
| PARKING & GROUND TRANSPORTATION | $10,989 | 10,428 | 9,171 | 7,012 | 4,182 | 1,517 | 1,428 | 1,529 | 1,117 | 1,002 |
| AIRFIELD & APRON | 11,006 | 11,171 | 11,789 | 10,036 | 9,054 | 8,188 | 8,933 | 8,144 | 7,163 | 6,557 |
| TERMINAL | 12,831 | 11,977 | 12,583 | 12,413 | 12,208 | 12,291 | 10,763 | 10,152 | 8,664 | 8,089 |
| OTHER | 4,520 | 5,780 | 3,998 | 1,501 | 1,436 | 1,488 | 1,130 | 1,397 | 2,607 | 1,481 |
| | $39,346 | 39,356 | 37,541 | 30,962 | 26,880 | 23,484 | 22,254 | 21,222 | 19,551 | 17,129 |

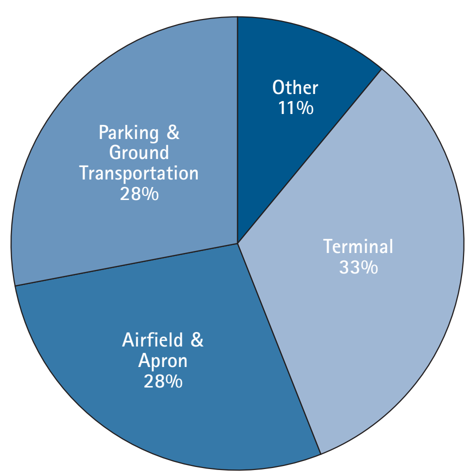
*SOURCE: THE AUTHORITY FINANCE DIVISION*

## 2002 Revenue and Expense Breakdown by Area

### Composition of Revenues




### Composition of Expense



# Schedule of Debt and Obligation Coverages

For the Ten Years Ended December 31, 2002 (dollars in thousands, except coverage)

| Year | Gross revenue (1) | Direct operating expense (2) | Net Revenue available for debt & obligation payments | Debt and obligation requirements | | | |
|---|---|---|---|---|---|---|---|
| | | | | Principal | Interest | Total | Coverage |
| 2002 | $54,134 | 31,963 | 22,171 | 7,004 | 7,179 | 14,183 | 1.56 |
| 2001 | 59,306 | 28,463 | 30,843 | 6,395 | 7,475 | 13,870 | 2.22 |
| 2000 | 57,222 | 30,269 | 26,953 | 5,635 | 7,142 | 12,777 | 2.11 |
| 1999 | 48,212 | 23,886 | 24,326 | 5,515 | 6,906 | 12,421 | 1.96 |
| 1998 | 46,220 | 19,053 | 27,167 | 5,464 | 7,444 | 12,908 | 2.10 |
| 1997 | 40,862 | 17,961 | 22,901 | 5,434 | 5,329 | 10,763 | 2.13 |
| 1996 | 37,588 | 16,439 | 21,149 | 4,954 | 5,638 | 10,592 | 2.00 |
| 1995 | 33,454 | 15,340 | 18,114 | 4,959 | 5,532 | 10,491 | 1.73 |
| 1994 | 31,301 | 14,335 | 16,966 | 4,954 | 4,735 | 9,689 | 1.75 |
| 1993 | 28,877 | 12,654 | 16,223 | 5,259 | 4,459 | 9,718 | 1.67 |

*1) Gross revenue includes interest and other income and excludes passenger facility charges.*

*2) Direct operating expense excludes depreciation.*

*Source: The Authority Finance Division*

# Air Commerce Trends

For the Ten Years Ended December 31, 2002

| Year | Total Passenger Volume | % Change | In Pounds Cargo (1) | Freight (2) | Mail |
|---|---|---|---|---|---|
| 2002 | 6,740,935 | 0.9 | 728,739 | 8,648,769 | 14,212,967 |
| 2001 | 6,680,897 | (2.8) | 1,644,574 | 7,881,056 | 24,123,410 |
| 2000 | 6,873,998 | 5.1 | 2,721,388 | 11,917,544 | 35,133,745 |
| 1999 | 6,541,851 | 1.9 | 2,903,773 | 13,760,947 | 34,664,922 |
| 1998 | 6,420,037 | (1.5) | 2,950,015 | 17,249,208 | 40,528,661 |
| 1997 | 6,517,222 | 3.9 | 5,236,559 | 20,787,916 | 55,148,872 |
| 1996 | 6,275,587 | 11.3 | 3,611,922 | 19,529,109 | 59,626,379 |
| 1995 | 5,636,549 | 3.6 | 13,117,473 | 20,088,342 | 65,091,253 |
| 1994 | 5,439,820 | 10.2 | 47,239,938 | 21,005,272 | 61,542,048 |
| 1993 | 4,934,445 | 7.6 | 46,658,589 | 21,143,477 | 68,880,267 |

*Source: The Authority Finance Division.*

*1) Freight carried by cargo carriers.*

*2) Freight carried in the belly of an air carrier.*

# Air Carrier Market Shares

For the Ten Years Ended December 31, 2002 (Based on Current Ranking)

| | 2002 | | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Market Share Percentage | Total Airline Passengers | Total Airline Passengers | Total Airline Passengers | Total Airline Passengers | Total Airline Passengers | Total Airline Passengers | Total Airline Passengers | Total Airline Passengers | Total Airline Passengers | Total Airline Passengers |
| **COMMERCIAL AIRLINES AND COMMUTERS** | | | | | | | | | | | |
| 1. AMERICA WEST America West Express | 21.20 | 1,428,880 | 1,206,549 | 1,133,697 | 977,651 | 1,174,130 | 1,462,357 | 1,367,607 | 1,291,419 | 1,237,677 | 1,058,109 |
| 2. DELTA, Delta Connection | 16.59 | 1,118,105 | 1,164,761 | 1,281,057 | 1,299,027 | 1,186,634 | 1,082,254 | 977,155 | 677,528 | 593,185 | 596,642 |
| 3. AMERICAN, American Eagle | 13.57 | 914,996 | 547,726 | 544,410 | 402,980 | 442,992 | 430,205 | 446,011 | 386,168 | 415,265 | 435,487 |
| 4. SOUTHWEST | 12.36 | 832,880 | 866,634 | 758,521 | 672,160 | 594,393 | 512,308 | 485,921 | 446,990 | 423,336 | 407,086 |
| 5. UNITED, United Express | 9.84 | 663,065 | 649,356 | 625,101 | 669,132 | 610,737 | 549,382 | 531,837 | 497,814 | 464,283 | 395,567 |
| 6. US AIRWAYS, US Airways Express | 9.50 | 640,315 | 727,660 | 928,053 | 984,999 | 1,050,780 | 1,004,150 | 1,034,925 | 1,061,981 | 1,263,704 | 1,061,517 |
| 7. NORTHWEST, Northwest Airlink | 8.60 | 579,568 | 564,852 | 544,571 | 536,936 | 446,600 | 500,030 | 469,219 | 366,685 | 318,288 | 282,298 |
| 8. CONTINENTAL, Continental Express | 6.22 | 419,563 | 404,384 | 401,951 | 376,111 | 347,332 | 371,583 | 339,749 | 286,184 | 298,243 | 305,976 |
| 9. MIDWEST EXPRESS, Midwest Express Connection | .88 | 59,447 | 47,123 | 43,483 | 48,685 | 50,487 | 50,000 | 47,537 | 46,758 | 42,314 | 27,608 |
| 10. JAZZ AIR INC. | .75 | 50,331 | 53,811 | 57,640 | 51,130 | 46,421 | 34,945 | 37,333 | 21,858 | - | - |
| TRANS WORLD | - | - | 347,375 | 414,458 | 407,831 | 402,506 | 389,946 | 353,713 | 309,502 | 341,019 | 334,518 |
| MIDWAY | - | - | 69,705 | 106,686 | 74,244 | 32,810 | 6,118 | - | - | - | - |
| CORPORATE EXPRESS | - | - | - | - | - | 114 | 10,064 | - | - | - | - |
| VALUE JET | - | - | - | - | - | - | 70,939 | 138,172 | 205,833 | - | - |
| CANADIAN PARTNER | - | - | - | - | - | - | - | - | - | - | 2,976 |
| Commercial Total | 99.50 | 6,707,147 | 6,649,936 | 6,839,628 | 6,500,866 | 6,385,936 | 6,474,281 | 6,229,179 | 5,598,720 | 5,397,314 | 4,907,784 |
| **CHARTER AIRLINES** | | | | | | | | | | | |
| 1. NON-SCHEDULED | .45 | 30,234 | 25,739 | 31,925 | 37,640 | 32,610 | 39,922 | 43,321 | 35,171 | 39,034 | 23,573 |
| 2. SCHEDULED | .05 | 3,554 | 5,222 | 2,445 | 3,325 | 1,491 | 3,019 | 3,087 | 2,658 | 3,472 | 3,088 |
| Charter Total | .50 | 33,788 | 30,961 | 34,370 | 40,965 | 34,101 | 42,941 | 46,408 | 37,829 | 42,506 | 26,661 |
| **TOTAL PASSENGERS** | 100.00 | 6,740,935 | 6,680,897 | 6,873,998 | 6,541,851 | 6,420,037 | 6,517,222 | 6,275,587 | 5,636,549 | 5,439,820 | 4,934,445 |

*Source: The Authority Finance Division.*

# Schedule of Insurance in Force

As of January 1, 2003

| Type of Coverage | Insurer | Coverage Amount | Expiration Date |
|---|---|---|---|
| Aviation and General Liability | American Home Assuranace Co. | $200,000,000 | 11/01/03 |
| Building and Contents | American Guarantee & Liability | 323,117,500 | 05/01/03 |
| Fine Arts | American Guarantee & Liability | 3,500,000 | 05/01/03 |
| Contractor's Equipment | American Guarantee & Liability | 11,588,459 | 05/01/03 |
| Business Auto | USF&G Co. | 1,000,000 | 05/01/03 |
| Employee Dishonesty | Travelers Casualty & Surety Co. | 1,000,000 | 11/01/03 |
| Public Official Liability Employment Practices | National Union Fire Insurance Co. | 5,000,000 | 11/01/03 |
| Surety Bonds | National Fire Insurance Co. of Hartford & Western Surety Co. | 250,000 | 11/01/03 |
| Police Professional | United National Insurance Co. | 5,000,000 | 11/01/03 |
| Fiduciary Liability | Federal Insurance Co. | 1,000,000 | 11/01/03 |
| Excess Auto | St. Paul Fire & Marine | 4,000,000 | 11/01/03 |

*Source: The Authority Legal Services Division*

# Principal Property Taxpayers in Franklin County

December 31, 2002

| | Assessed Valuation (in thousands) | % of Total Assessed Valuation |
|---|---|---|
| **Public Utilities** | | |
| 1. Columbus Southern Power Company | $ 227,715 | 1.60% |
| 2. Ohio Bell Telephone Company (Ameritech) | 104,090 | .73 |
| 3. Columbia Gas of Ohio, Inc. | 37,387 | .26 |
| 4. New Par | 13,370 | .09 |
| **Real Estate** | | |
| 1. Nationwide Mutual Insurance Company | 58,450 | .41 |
| 2. Capitol South Community Urban Redevelopment Corp. | 43,704 | .31 |
| 3. Distribution Land Corporation | 38,302 | .27 |
| 4. American Electric Power Service Corporation | 29,770 | .21 |
| 5. Equitable Life Insurance | 28,033 | .20 |
| 6. Duke Realty LP | 25,979 | .18 |
| 7. Battelle Memorial Institute | 18,094 | .13 |
| 8. Anheuser Busch Inc. | 17,776 | .12 |
| 9. VV USA City LP | 16,975 | .12 |
| 10. Trizechahn Regional | 16,800 | .12 |
| **Tangible Personal Property** | | |
| 1. Lucent Technologies Inc. | 77,550 | .54 |
| 2. Anheuser Busch Inc. | 66,003 | .46 |
| 3. Techneglas Inc. | 43,920 | .31 |
| 4. Abbott Laboratories | 39,147 | .27 |
| 5. IBM Credit Corporation | 34,338 | .24 |
| 6. Sears Roebuck & Company | 31,384 | .22 |
| 7. Roxane Laboratories, Inc. | 31,018 | .22 |
| 8. Ameritech New Media Inc. | 19,947 | .14 |
| 9. Ricart Properties Inc. | 18,295 | .13 |
| 10. Kal Kan Foods Inc. | 17,684 | .13 |
| Total Principal Property Taxpayers | 1,055,731 | 7.41 |
| All Others | 13,183,561 | 92.59 |
| Total Assessed Valuation (Franklin County) | $14,239,292 | 100.00% |

*Source: Franklin County Auditor*

*Note: The Authority receives no property taxes. This information is provided to present major business in the area.*

# Comparison of Columbus Building Permits Issued

For the Ten Years Ended December 31, 2002 (Valuations in thousands)

| | New Construction | | Alterations & Additions | | Total | |
|---|---|---|---|---|---|---|
| Year | Permits Issued | Valuation | Permits Issued | Valuation | Permits Issued | Valuation |
| 2002 | 4,179 | $ 831,872 | 3,200 | $ 421,685 | 7,379 | $ 1,253,557 |
| 2001 | 4,125 | 1,194,028 | 3,682 | 589,247 | 7,807 | 1,783,275 |
| 2000 | 3,880 | 1,287,368 | 5,058 | 723,754 | 8,938 | 2,011,122 |
| 1999 | 4,188 | 866,932 | 5,287 | 692,390 | 9,475 | 1,559,322 |
| 1998 | 4,324 | 1,189,922 | 6,466 | 570,222 | 10,790 | 1,760,144 |
| 1997 | 3,470 | 840,187 | 6,515 | 583,530 | 9,985 | 1,423,717 |
| 1996 | 3,473 | 532,599 | 5,497 | 330,900 | 8,970 | 863,499 |
| 1995 | 2,778 | 473,647 | 6,092 | 275,963 | 8,870 | 749,610 |
| 1994 | 3,298 | 471,540 | 6,081 | 207,546 | 9,379 | 679,086 |
| 1993 | 2,930 | 367,207 | 6,071 | 173,218 | 9,001 | 540,425 |

*Source: City of Columbus, Ohio, Department of Trade and Development, Building and Development Services*

# Largest Employers in the Greater Columbus Area

Ranked by number of full-time employees

| | | |
|---|---|---|
| 1. | State of Ohio | 27,707 |
| 2. | Ohio State University | 17,069 |
| 3. | Federal Government | |
| | • United States Postal Service | 5,306 |
| | • Defense Supply Center, Columbus | 2,446 |
| | • Defense Finance & Accounting Service | 2,231 |
| | • Other Federal Governments | 3,717 |
| 4. | Nationwide Insurance Companies | 10,444 |
| 5. | Bank One Corporation | 8,991 |
| 6. | City of Columbus | 8,805 |
| 7. | Columbus Public Schools | 8,784 |
| 8. | Ohio Health | 8,158 |
| 9. | Limited Brands | 7,200 |
| 10. | Franklin County | 6,830 |
| 11. | Honda of America Mfg. Inc. | 6,550 |
| 12. | Kroger Company | 5,952 |
| 13. | Wendy's International Inc. | 4,900 |
| 14. | Mount Carmel | 4,877 |
| 15. | American Electric Power | 3,794 |
| 16. | Catholic Diocese of Columbus | 3,600 |
| 17. | Huntington Bancshares Inc. | 3,478 |
| 18. | Wal-mart Stores Inc. | 3,400 |
| 19. | Bob Evans Farms Inc. | 3,017 |
| 20. | Value City Department Stores | 2,810 |
| 21. | SBC Ameritech Ohio | 2,675 |
| 22. | Meijer Inc. | 2,650 |
| 23. | Discover Financial Services | 2,600 |
| 24. | Chase Manhattan Mortgage Corp. | 2,457 |
| 25. | Ross Products Division of Abbott Laboratories | 2,429 |
| 26. | Big Lots Inc. | 2,400 |
| 27. | South-Western City Schools | 2,381 |
| 28. | Columbus Children's Hospital Inc. | 2,366 |
| 29. | Medco Health Solutions, Inc. | 2,250 |
| 30. | Big Bear Stores Co. | 2,047 |
| 31. | Battelle | 2,035 |
| 32. | National City Corporation | 1,930 |
| 33. | ARC Industries Inc. | 1,920 |
| 34. | Ashland Inc. | 1,916 |
| 35. | Dispatch Printing Co. | 1,900 |
| 36. | Verizon Wireless | 1,834 |
| 37. | State Farm | 1,747 |
| 38. | Lucent Technologies | 1,701 |
| 39. | Westerville City Schools | 1,639 |
| 40. | Hilliard City Schools | 1,620 |
| 41. | Qwest Communications International Inc. | 1,600 |
| 42. | United Parcel Service | 1,570 |
| 43a. | Alliance Data Systems | 1,500 |
| 43b. | Cardinal Health Inc. | 1,500 |
| 45. | Dublin City Schools | 1,406 |
| 46. | Chemical Abstracts Services | 1,400 |
| 47. | NetJets Inc. | 1,394 |
| 48. | Owens-Corning | 1,329 |
| 49. | Columbia Gas of Ohio, Inc. | 1,255 |
| 50. | Worthington City Schools | 1,250 |

*Source: Business First, December 13, 2002 issue.*

# Estimated Civilian Labor Force and Annual Average Unemployment Rates

For the Ten Years Ended December 31, 2002 (labor force in thousands)

| | Franklin County | | Columbus MSA (1) | | Ohio | | U.S. |
|---|---|---|---|---|---|---|---|
| Year | Labor Force (2) | Unemployment Rate (3) | Labor Force (2) | Unemployment Rate (3) | Labor Force (2) | Unemployment Rate (3) | Unemployment Rate (3) |
| 2002 | 629.5 | 4.4% | 885.5 | 4.4% | 5,828 | 5.7% | 5.8% |
| 2001 | 622.0 | 2.8 | 875.5 | 2.8 | 5,857 | 4.3 | 4.8 |
| 2000 | 604.3 | 2.4 | 850.8 | 2.5 | 5,783 | 4.1 | 4.0 |
| 1999 | 593.4 | 2.5 | 829.9 | 2.6 | 5,749 | 4.3 | 4.2 |
| 1998 | 581.9 | 2.5 | 811.8 | 2.7 | 5,678 | 4.3 | 4.5 |
| 1997 | 588.3 | 2.7 | 813.7 | 2.9 | 5,756 | 4.6 | 4.9 |
| 1996 | 574.0 | 2.9 | 794.0 | 3.1 | 5,643 | 4.9 | 5.4 |
| 1995 | 562.4 | 3.3 | 769.4 | 3.5 | 5,573 | 4.8 | 5.6 |
| 1994 | 561.2 | 3.9 | 767.8 | 4.1 | 5,537 | 5.5 | 6.1 |
| 1993 | 552.6 | 4.6 | 757.1 | 4.9 | 5,480 | 6.5 | 6.8 |

*1) The Columbus MSA includes Delaware, Fairfield, Franklin, Licking, Madison and Pickaway Counties.*

*2) Civilian labor force is the estimated number of persons 16 years of age and over, working or seeking work.*

*3) The unemployment rate is equal to the estimate of unemployed persons divided by the estimated civilian labor force.*

*Source: Ohio Department of Job & Family Services, Labor Market Information Division. (Preliminary data which is subject to change)*

# Assessed and Estimated Actual Value of Franklin County Taxable Property

For the Ten Years Ended December 31, 2002 (in thousands)

| | | Real Property | | Personal Property | | Public Utilities | |
|---|---|---|---|---|---|---|---|
| Tax Year | For | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value |
| 2002 | 2003 | $11,958,533 | $34,167,237 | $1,852,911 | $7,411,644 | $427,848 | $1,222,423 |
| 2001 | 2002 | 10,632,901 | 30,379,717 | 1,754,763 | 7,019,052 | 463,164 | 1,323,326 |
| 2000 | 2001 | 10,312,863 | 29,465,323 | 1,746,957 | 6,987,828 | 554,901 | 1,585,431 |
| 1999 | 2000 | 9,991,033 | 28,545,809 | 1,619,657 | 6,478,628 | 558,957 | 1,597,020 |
| 1998 | 1999 | 8,710,415 | 24,886,900 | 1,547,605 | 6,190,420 | 540,892 | 1,545,406 |
| 1997 | 1998 | 8,300,546 | 23,715,846 | 1,532,089 | 6,092,356 | 539,815 | 1,542,329 |
| 1996 | 1997 | 8,043,277 | 22,980,791 | 1,464,285 | 5,857,140 | 519,964 | 1,485,611 |
| 1995 | 1996 | 7,523,751 | 21,496,431 | 1,365,419 | 5,461,676 | 518,908 | 1,482,594 |
| 1994 | 1995 | 7,334,469 | 20,955,626 | 1,325,368 | 5,301,472 | 552,569 | 1,578,769 |
| 1993 | 1994 | 7,228,738 | 20,653,537 | 1,356,017 | 5,424,068 | 549,883 | 1,571,094 |

*Source: Franklin County Auditor.*

# Compliance Section

**This section contains the following subsections:**

Deloitte & Touche LLP
155 East Broad Street
Columbus, Ohio 43215-3611

Tel: (614) 221-1000
Fax: (614) 229-4647
www.deloitte.com

**Deloitte & Touche**

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Columbus Municipal Airport Authority
Columbus, Ohio

We have audited the financial statements of the Columbus Municipal Airport Authority (the Authority), a component unit of the City of Columbus, as of and for the year ended December 31, 2002, and have issued our report thereon dated March 8, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### COMPLIANCE

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

### INTERNAL CONTROL OVER FINANCIAL REPORTING

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

This report is intended solely for the information of the Authority's management, the Ohio Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 8, 2003



Deloitte
Touche
Tohmatsu

Deloitte & Touche LLP
155 East Broad Street
Columbus, Ohio 43215-3611

Tel: (614) 221-1000
Fax: (614) 229-4647
www.deloitte.com

**Deloitte & Touche**

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF PASSENGER FACILITY CHARGES

The Board of Directors
Columbus Municipal Airport Authority
Columbus, Ohio

## COMPLIANCE

We have audited the compliance of the Columbus Municipal Airport Authority (the Authority), a component unit of the City of Columbus, with the types of compliance requirements described in the *U.S. Office of Management and Budget* (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program and the *Passenger Facility Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, for the Authority's Passenger Facility Charge (PFC) program for the year ended December 31, 2002. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program and its PFC program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Guide. Those standards, OMB Circular A-133 and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and the PFC program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program and the PFC program for the year ended December 31, 2002.

## INTERNAL CONTROL OVER COMPLIANCE

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and the PFC program. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program and the PFC program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program or the PFC program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF PASSENGER FACILITY CHARGES

We have audited the financial statements of the Authority as of and for the year ended December 31, 2002, and have issued our report thereon dated March 8, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and schedule of passenger facility charges are presented for purposes of additional analysis as required by OMB Circular A-133 and the Guide and are not a required part of the financial statements. These schedules are the property of the Authority's management. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Authority's management, the Ohio Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified users.

Deloitte & Touche LLP

March 8, 2003

# COLUMBUS MUNICIPAL AIRPORT AUTHORITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED DECEMBER 31, 2002

| Federal Grantor | Federal CFDA Number | Grant Number | Federal Receipts | Federal Expenditures |
|---|---|---|---|---|
| **DEPARTMENT OF TRANSPORTATION:** | | | | |
| Federal Aviation Administration – | | | | |
| Airport Improvement Program (AIP): | 20.106 | | | |
| Noise Mitigation Measures | | 3-39-0025-33 | $ 23,086 | $ 23,086 |
| Noise and Flight Track Monitoring System | | 3-39-0025-34 | 195,704 | 195,705 |
| Residential Sound Insulation Phase V | | 3-39-0025-36 | 487,961 | 487,965 |
| North Parallel Taxiway | | 3-39-0025-37 | 67,777 | 67,781 |
| Residential Sound Proofing Phase VI | | 3-39-0025-38 | 101,188 | 101,192 |
| Terminal Apron Rehabilitation | | 3-39-0025-39 | 492,662 | 492,668 |
| North Parallel Taxiway | | 3-39-0025-40 | 1,883,059 | 1,883,064 |
| Costs of New Security Requirements | | 3-39-0025-41 | 329,991 | 329,994 |
| Security Enhancements | | 3-39-0025-42 | 21,150 | 21,150 |
| Noise Mitigation Phase VII | | 3-39-0025-43 | 35,936 | 35,936 |
| Terminal Apron Rehab | | 3-39-0025-44 | 4,143,405 | 4,143,407 |
| Master Plan Update | | 3-39-0026-09 | 145,746 | 147,285 |
| Master Plan Update & Taxiway A Rehab | | 3-39-0026-10 | 42,820 | 42,822 |
| Federal Aviation Administration | | | 7,970,485 | 7,972,055 |
| Transportation Security Administration – | | | | |
| Explosives Detection Canine Team Program | N/A | DTFA01-02-A-02035 | 120,500 | 120,500 |
| Law Enforcement Personnel Agreement | N/A | DTSA20-02-P-50105 | 260,031 | 260,031 |
| Transportation Security Administration | | | 380,531 | 380,531 |
| Total U. S. Department of Transportation | | | 8,351,016 | 8,352,586 |
| DEPARTMENT OF JUSTICE: | | | | |
| Drug Enforcement Administration – | | | | |
| Equitable Sharing Agreement | 16.000 | N/A | 286,467 | 141,904 |
| Total U.S. Department of Justice | | | 286,467 | 141,904 |
| **TOTAL FEDERAL AWARDS** | | | **$8,637,483** | **$8,494,490** |

See accompanying notes to Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges.

# COLUMBUS MUNICIPAL AIRPORT AUTHORITY

## SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
## FOR THE YEAR ENDED DECEMBER 31, 2002

| | Receipts | Expenditures |
|---|---|---|
| Program | | |
| Passenger Facility Charges | $12,441,114 | $7,689,132 |

See accompanying notes to Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges.

# NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF PASSENGER FACILITY CHARGES FOR THE YEAR ENDED DECEMBER 31, 2002

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*General* – The accompanying Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges present the activity of all federal assistance programs of the Columbus Municipal Airport Authority (the Authority). The Authority's reporting entity is defined in Note 1 to the Authority's financial statements.

## 2. BASIS OF ACCOUNTING

*Basis of Accounting* – The accompanying Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges are prepared on the basis of cash receipts and disbursements. Consequently, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligations are incurred.

# COLUMBUS MUNICIPAL AIRPORT AUTHORITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED DECEMBER 31, 2002

### PART I – SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.

2. No reportable conditions in internal control over financial reporting were identified.

3. No instance of noncompliance considered material to the financial statements was disclosed.

4. No reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were identified.

5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.

6. The audit disclosed no findings which are required to be reported by OMB Circular A-133.

7. The organization's major program was: Airport Improvement Program (AIP) (CFDA #20.106).

8. Dollar threshold used to distinguish between Type A and Type B programs: $300,000.

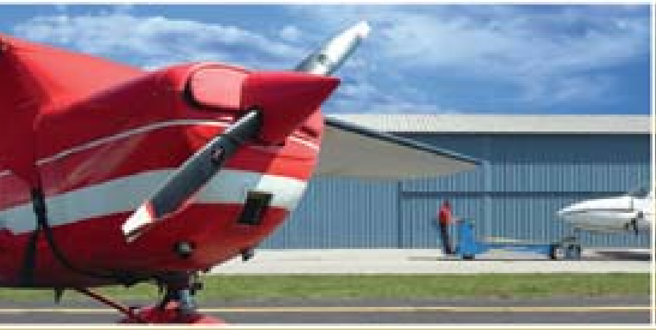
9. The Auditee did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

### PART II – FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable.

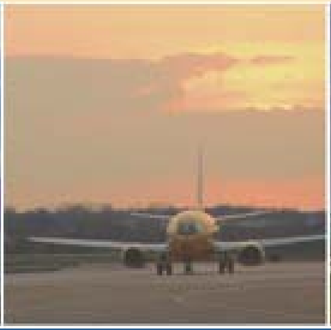
### PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

No matters are reportable.




COLUMBUS MUNICIPAL
AIRPORT AUTHORITY

4600 International Gateway
Columbus, OH 43219 USA
www.ColumbusAirports.com

Auditor of State
Betty Montgomery

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

## COLUMBUS MUNICIPAL AIRPORT AUHTORITY

## FRANKLIN COUNTY

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**JUNE 19, 2003**