

# **Columbus-Franklin County Finance Authority**

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**Financial Report  
with Independent Auditors' Report  
December 31, 2012**





# Dave Yost • Auditor of State

Board of Directors  
Columbus-Franklin County Finance Authority  
350 E. First Avenue, Suite 120  
Columbus, Ohio 43201

We have reviewed the *Independent Auditor's Report* of the Columbus-Franklin County Finance Authority, Franklin County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2012 through December 31, 2012. 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-Franklin County Finance Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

May 14, 2013

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# **Columbus-Franklin County Finance Authority**

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## Independent Auditor's Report

To the Board of Directors  
Columbus-Franklin County Finance Authority

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of Columbus-Franklin County Finance Authority (the "Authority") as of and for the years ended December 31, 2012 and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Columbus-Franklin County Finance Authority as of December 31, 2012 and the changes in financial position and its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 15 to the basic financial statements, in 2012, the entity adopted new accounting guidance by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

To the Board of Directors  
Columbus-Franklin County Finance Authority

The basic financial statements of Columbus-Franklin County Finance Authority as of and for the year ended December 31, 2011 were audited by a predecessor auditor, which expressed an unqualified opinion on the financial position of the Authority. The predecessor auditor's report was dated February 22, 2012.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified on pages 5-10, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Columbus-Franklin County Finance Authority's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2013 on our consideration of Columbus-Franklin County Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



March 31, 2013

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)

The discussion and analysis of the Columbus-Franklin County Finance Authority (the "Authority") financial performance provides an overall review of the Authority's financial activities for the fiscal year ended December 31, 2012. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- In total, net position was \$5,507,071 at December 31, 2012. This represents an increase of \$766,245 or 16.16% from the restated net position at December 31, 2011 of \$4,740,826 as described in Note 15 to the basic financial statements.
- The Authority had operating revenues of \$786,453, operating expenses of \$366,388, nonoperating revenues of \$3,745,367 and nonoperating expenses of \$3,399,187 for fiscal year 2012.
- During 2012, the Authority issued a bond under the Central Ohio Bond Fund (COBF) program for Phase 2 of the One Neighborhood project. The Series 2012A revenue bonds, issued for \$2,090,000, are described in Note 5 to the basic financial statements. The Authority has three bonds issued through the COBF program at December 31, 2012 (see Note 5 to the basic financial statements for detail).
- In 2012, the Authority also issued debt for four (4) projects through its Conduit Financing program, with a total issuance cost of \$73 million. See Note 6 to the basic financial statements for more detail on these projects.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the Authority, including all short-term and long-term financial resources and obligations.

**Reporting the Authority's Financial Activities**

***Statement of net position, statement of revenues, expenses, and changes in net position and the statement of cash flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2012?" The Statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Authority's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Authority as a whole, the *financial position* of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)

The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its operations, projects financed through the COBF program and other financing projects. The statement of cash flows can be found on page 11 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 12-35 of this report.

The Authority has provided supplementary information on pages 36-38 of this report to break down the Authority's operations between those that are unrestricted, those that are restricted, other financing projects and those pertaining to the COBF.

The table below provides a summary of the Authority's net position at December 31, 2012 and the restated net position at December 31, 2011 (see Note 15 to the basic financial statements).

**Net Position**

	<u>2012</u>	<u>Restated 2011</u>
<u>Assets</u>		
Current assets:		
Unrestricted	\$ 1,923,957	\$ 1,416,090
Restricted	123,602	195,719
Noncurrent assets:		
Restricted	<u>18,269,089</u>	<u>15,281,235</u>
Total assets	<u>20,316,648</u>	<u>16,893,044</u>
<u>Liabilities</u>		
Current liabilities:		
Payable from unrestricted assets	19,086	24,971
Payable from restricted assets	311,702	515,443
Noncurrent liabilities:		
Payable from restricted assets	<u>14,478,789</u>	<u>11,611,804</u>
Total liabilities	<u>14,809,577</u>	<u>12,152,218</u>
<u>Net Position</u>		
Restricted	3,602,200	3,349,707
Unrestricted	<u>1,904,871</u>	<u>1,391,119</u>
Total net position (restated)	<u>\$ 5,507,071</u>	<u>\$ 4,740,826</u>

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)**

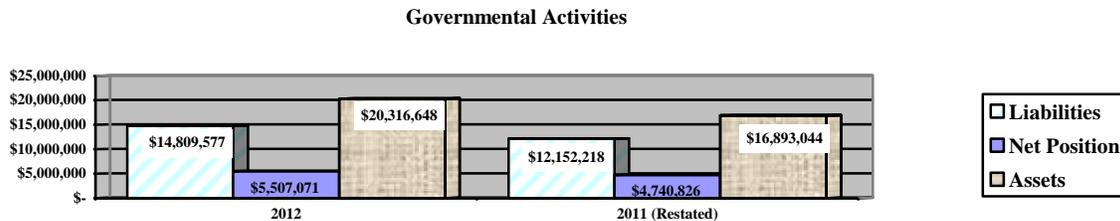
Over time, net position can serve as a useful indicator of the Authority's financial position. At December 31, 2012, the Authority's net position totaled \$5,507,071. Current assets-restricted include a \$123,602 receivable for State grant proceeds related to the Klingbeil state grant for work performed in 2012 that was not disbursed until 2013. Non-current assets consisted of cash and investments of the Central Ohio Bond Fund (COBF) reserve, cash equivalents held by the Authority's fiscal agent related to bond issuances for the Harrison West Project, the One Neighborhood Project-Phase 1 and One Neighborhood Project-Phase 2, cash and cash equivalents and a pledged receivable related to the Rickenbacker Project, a pledged tax increment financing (TIF) receivable from the City of Columbus to support the Harrison West Project, a pledged community authority financing payments and TIF receivable to support the One Neighborhood Project-Phase 1 and One Neighborhood Project-Phase 2 and monies due from the New Community Authority for issuance costs paid by the Authority's trustee related to the One Neighborhood Project-Phase 2 revenue bonds issued at the end of 2012. The Harrison West Project, One Neighborhood Project-Phase 1 and the One Neighborhood Project-Phase 2 were financed through the Authority's COBF program.

Current liabilities consist of accruals related to the operations of the Authority plus the current portion of the Authority's loan payable to the State of Ohio Department of Development (ODOD). The principal amount and service fees paid on this loan in 2012 was \$21,500 and \$5,013, respectively, of which the principal amount was paid out of restricted operating funds of the Authority and the service fees were paid out of unrestricted operating funds of the Authority. Additionally, the bond fund transactions including bond costs payable, developer costs payable, accrued interest on bonds, bond issue costs payable and the current portion of revenue bonds payable related to the Harrison West Project, One Neighborhood Project-Phase 1 and One Neighborhood Project-Phase 2 are included in current liabilities payable from restricted assets. Current liabilities also include a \$123,602 payable related to the Klingbeil state grant for work performed in 2012 that was not disbursed until 2013.

Non-current liabilities include the long-term portion of the ODOD loan, the long-term portion of the Rickenbacker Project loan and the balance of the revenue bonds issued to finance the Harrison West Project, One Neighborhood Project-Phase 1 and One Neighborhood Project-Phase 2 through the COBF program. The bonds are payable from restricted pledged TIF and community authority financing payment receivables securing repayment of the bonds.

A portion of the Authority's net position, \$3,602,200, represents resources that are subject to external restriction on how they may be used. \$3,016,500 of the restricted net position consist of City of Columbus and Franklin County grants (\$2,500,000) which were used to establish the COBF reserve account and the difference (\$516,500) between the original proceeds received from the State loan (\$2,500,000) and the balance of the State loan liability at year end (\$1,983,500). The remaining balance of restricted net position (\$585,700) consist of tax increment financing payments collected related to the Rickenbacker project that are restricted for project-related costs within ten miles of Rickenbacker.

The balance of unrestricted net position is \$1,904,871 can be used to finance the Authority's operations. The chart below illustrates the Authority's assets, liabilities and net position at December 31, 2012 and 2011:



**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)

The table below shows the changes in net position for fiscal year 2012 and the restated net position at 2011.

**Change in Net Position**

	<u>2012</u>	<u>2011</u>	Increase (Decrease)
<b><u>Operating Revenues:</u></b>			
Conduit financing and other fees	\$ 442,203	\$ 200,938	\$ 241,265
Central Ohio bond fund fees	44,250	25,135	19,115
City of Columbus operating grant	150,000	150,000	-
Franklin County operating grant	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total operating revenue	<u>786,453</u>	<u>526,073</u>	<u>260,380</u>
<b><u>Operating Expenses:</u></b>			
Salaries and benefits	259,661	244,081	15,580
Professional services	45,998	40,497	5,501
Miscellaneous operating expenses	<u>60,729</u>	<u>42,149</u>	<u>18,580</u>
Total operating expenses	<u>366,388</u>	<u>326,727</u>	<u>39,661</u>
Operating income	<u>420,065</u>	<u>199,346</u>	<u>220,719</u>
<b><u>Nonoperating Revenues (Expenses):</u></b>			
Interest revenue	56,485	94,804	(38,319)
Increase (decrease) in fair value of investments	58,702	(75,863)	134,565
Other financing projects transactions:			
Interest revenue	138	61	77
State loan proceeds	-	5,000,000	(5,000,000)
State loan pass through payments	-	(5,000,000)	5,000,000
State grant proceeds - Klingbeil	1,365,903	976,287	389,616
State grant pass through payments - Klingbeil	(1,365,903)	(976,287)	(389,616)
Tax increment financing revenues	308,024	472,911	(164,887)
Fiscal charges	(163)	(39)	(124)
Pass through payments to Pizzuti	(77,006)	(118,226)	41,220
Bond fund transactions:			
Tax increment /community authority financing revenue	1,956,115	545,938	1,410,177
Bond issue costs	(170,416)	-	(170,416)
Pass through bond proceeds	(1,159,840)	-	(1,159,840)
Interest expense on bonds	(325,847)	(338,277)	12,430
Fiscal charges	(25,930)	(22,081)	(3,849)
Legal fees	-	(472)	472
Developer costs	<u>(274,082)</u>	<u>(185,108)</u>	<u>(88,974)</u>
Total nonoperating revenues	<u>346,180</u>	<u>373,648</u>	<u>(27,468)</u>
Change in net position	766,245	572,994	193,251
Net position at beginning of year (restated)	<u>4,740,826</u>	<u>4,167,832</u>	
Net position at end of year	<u>\$ 5,507,071</u>	<u>\$ 4,740,826</u>	

Operating revenues increased \$260,380 or 19.50%. This increase is due to an increase in conduit financing and other fees generated by increased activity in the Conduit Financing program. Operating expenses increased \$39,661 or 12.14% primarily in the area of salaries and benefits and miscellaneous operating expenses, mainly to outfit the new office.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)**

Net nonoperating revenues decreased \$27,468 from the prior year. Interest revenue decreased due to lower interest rates on investments. The most significant fluctuation was in the area of the fair value of investments. Under GAAP, certain investments are required to be reported at their fair value rather than cost. Although the Authority intends to hold investments to maturity, the change in the fair value of the investments is reflected in the financial statements. At December 31, 2012 and 2011, the Authority has recorded a fair value adjustment for investments in negotiable certificates of deposit that are part of the COBF investments. Interest earned and fluctuations in the fair value of COBF investments may be used by the Authority for general operations.

During 2012, the Authority continued receiving TIF payments for the Harrison West Project. These TIF payments were used to make debt service payments (both principal and interest) on the Harrison West Bonds. TIF payments received that are restricted for bond principal payments are reported as a reduction to the TIF receivable from the City of Columbus. A portion of the TIF payments received in excess of required debt service payments may be used to make additional principal payments on the bonds. TIF payments received that are due to the developer for project costs are reported as developer costs expense.

During 2012, the Authority continued receiving community authority financing payments for the One Neighborhood Project-Phase 1. The New Community Authority has pledged financing payments and future TIF payments to make debt service payments on the One Neighborhood Project-Phase 1 Bonds. Payments received that are restricted for bond principal payments are reported as a reduction to the pledged receivable from the New Community Authority.

On July 11, 2011, the Authority was awarded a \$2,342,190 grant from the Ohio Department of Development's Clean Ohio Revitalization Fund in conjunction with its project partner, Klingbeil Capital Management. During 2011 and 2012, total accrued draws and disbursements were \$976,287 and \$1,365,903, respectively. The receipt and subsequent disbursement is reported as a nonoperating revenue and expense on the Authority's financial statements. \$123,602 has been recorded as a receivable and payable for monies disbursed in 2013 for work performed in 2012. The accrued receipt and accrued disbursement is included in the nonoperating revenue and expense reported in the Authority's financial statements.

**Capital Assets**

The Authority did not possess any capital assets at December 31, 2012.

**Debt Administration**

The Authority obtained a \$2,500,000 ODOD loan in 2007. The loan is interest free with a term of 20 years. Principal and servicing payments of \$26,513 were made in 2012. Principal payments were paid out of restricted operating funds of the Authority and the service fees were paid out of unrestricted operating funds of the Authority. The State Loan Agreement requires that annual repayment of principal to be based on no more than the interest earned on the \$2,500,000 reserve, up to \$125,000. See Note 8 for more detail on the ODOD loan.

In 2007, 2010 and 2012, the Authority issued \$3,080,000, \$2,450,000 and \$2,090,000 in revenue bonds through the COBF program to finance the Harrison West Project, the One Neighborhood Project-Phase 1 and the One Neighborhood Project-Phase 2, respectively. The repayments are secured by pledged revenues which will be collected and distributed to the trustee for repayment of the bonds. See Note 5 for more detail on the COBF program.

In 2010, the Authority received and passed through a portion of a \$6,695,855 State of Ohio loan to fund a project at Rickenbacker. The State of Ohio loan is expected to be forgiven in 2014; however, the Authority has reported a liability and pledged receivable at December 31, 2012 in the amount of \$5,437,761 which represents the loan proceeds received and disbursed as of December 31, 2012.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)**

**Current Financial Related Activities**

Currently, the Authority is reliant upon operating grants from the City of Columbus and Franklin County to support its operations. The Authority has the ability to finance projects through its Central Ohio Bond Fund program, through a Conduit Financing program and through other financing vehicles. At year-end there were three projects financed through the Authority's COBF program. The Harrison West Project began in 2007, the One Neighborhood Project-Phase 1 began in 2010 and the One Neighborhood Project-Phase 2 began in 2012. The Authority's goals are to increase the number of projects financed in 2013. Fees generated by financing projects are necessary to support the operations of the Authority.

**Contacting the Authority's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jean Carter Ryan, President, Columbus-Franklin County Finance Authority, 350 E. First Avenue, Suite 120, Columbus, Ohio, 43201.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2012**

<b>ASSETS:</b>	
Current:	
Cash and cash equivalents . . . . .	\$ 1,852,958
Investments . . . . .	54,015
Accrued interest receivable . . . . .	10,486
Prepayments . . . . .	6,498
Restricted assets:	
Other financing projects transactions:	
State grant receivable - Klingbeil . . . . .	123,602
Total current assets . . . . .	2,047,559
Noncurrent:	
Restricted assets:	
Cash and cash equivalents . . . . .	1,036,000
Investments . . . . .	3,964,000
Other financing projects transactions:	
Cash and cash equivalents . . . . .	585,700
Pledged receivable . . . . .	5,437,761
Bond fund transactions:	
Cash equivalents with fiscal agent . . . . .	1,897,332
Pledged receivable . . . . .	5,286,084
Due from New Community Authority . . . . .	62,212
Total restricted assets . . . . .	18,269,089
Total noncurrent assets . . . . .	18,269,089
Total assets . . . . .	20,316,648
<b>LIABILITIES:</b>	
Current:	
Accounts payable . . . . .	2,018
Accrued salaries and benefits payable . . . . .	14,175
Accrued service fees payable . . . . .	2,893
Payable from restricted assets:	
State loan payable - bond fund reserve . . . . .	30,000
Other financing projects transactions:	
State grant payable - Klingbeil . . . . .	123,602
Bond fund transactions:	
Bond costs payable . . . . .	19,889
Due to developer . . . . .	5
Bond issue costs payable . . . . .	40,016
Accrued interest payable . . . . .	43,190
Revenue bonds - due in following year . . . . .	55,000
Total current liabilities . . . . .	330,788
Noncurrent:	
Payable from restricted assets:	
State loan payable - bond fund reserve . . . . .	1,953,500
Other financing projects transactions:	
State loan payable - Rickenbacker project . . . . .	5,437,761
Bond fund transactions:	
Revenue bonds . . . . .	7,087,528
Total noncurrent liabilities . . . . .	14,478,789
Total liabilities . . . . .	14,809,577
<b>NET POSITION:</b>	
Restricted . . . . .	3,602,200
Unrestricted . . . . .	1,904,871
Total net position . . . . .	\$ 5,507,071

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

Operating revenues:	
Conduit financing and other fees . . . . .	\$ 442,203
Central Ohio bond fund fees . . . . .	44,250
City of Columbus operating grant. . . . .	150,000
Franklin County operating grant. . . . .	<u>150,000</u>
 Total operating revenues . . . . .	 <u>786,453</u>
Operating expenses:	
Salaries and benefits . . . . .	259,661
Professional services . . . . .	45,998
Miscellaneous . . . . .	<u>60,729</u>
 Total operating expenses . . . . .	 <u>366,388</u>
 Operating income . . . . .	 <u>420,065</u>
Nonoperating revenues (expenses):	
Interest revenue. . . . .	56,485
Increase in fair value of investments . . . . .	58,702
Other financing projects transactions:	
Interest revenue. . . . .	138
State grant proceeds - Klingbeil . . . . .	1,365,903
State grant pass through payments - Klingbeil . . . . .	(1,365,903)
Tax increment financing revenues . . . . .	308,024
Fiscal charges . . . . .	(163)
Pass through payments to Pizzuti . . . . .	(77,006)
Bond fund transactions:	
Tax increment/community authority financing revenues . . . . .	1,956,115
Bond issue costs . . . . .	(170,416)
Pass through bond proceeds . . . . .	(1,159,840)
Interest expense on bonds . . . . .	(325,847)
Fiscal charges . . . . .	(25,930)
Developer costs . . . . .	<u>(274,082)</u>
 Total nonoperating revenues (expenses) . . . . .	 <u>346,180</u>
 Change in net position . . . . .	 766,245
 Net position, January 1 (restated). . . . .	 <u>4,740,826</u>
 Net position, December 31. . . . .	 <u>\$ 5,507,071</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

Cash flows from operating activities:	
Cash received from conduit financing and other fees. . . . .	\$ 442,203
Cash received from Central Ohio bond fund fees. . . . .	44,250
Cash received from operating grants. . . . .	300,000
Cash payments for salaries and benefits . . . . .	(264,782)
Cash payments for professional services . . . . .	(45,980)
Cash payments for miscellaneous operating expenses . . . . .	(62,362)
	413,329
Net cash provided by operating activities. . . . .	
Cash flows from noncapital financing activities:	
Payment on State loan - bond fund reserve . . . . .	(21,500)
Other financing projects transactions:	
State loan proceeds - Pizzuti . . . . .	926,973
State loan pass through payments - Pizzuti . . . . .	(926,973)
State grant proceeds - Klingbeil . . . . .	1,438,020
State grant pass through payments - Klingbeil . . . . .	(1,438,020)
Tax increment financing payments received. . . . .	308,024
Fiscal charges paid . . . . .	(163)
Pass through payments to Pizzuti . . . . .	(77,006)
Bond fund transactions:	
Tax increment/community authority financing payments received . . . . .	763,050
Proceeds of revenue bonds . . . . .	2,090,000
Bond issue costs paid . . . . .	(192,612)
Pass through bond proceeds payment. . . . .	(1,159,840)
Principal paid on bonds . . . . .	(120,000)
Interest paid on bonds . . . . .	(321,850)
Fiscal charges paid . . . . .	(25,930)
Developer costs paid . . . . .	(459,185)
	782,988
Net cash provided by noncapital financing activities. . . . .	
Cash flows from investing activities:	
Purchase of investments . . . . .	(3,964,000)
Sale of investments . . . . .	2,223,000
Interest received . . . . .	51,223
Other financing projects transactions:	
Interest received . . . . .	138
Bond fund transactions:	
Interest received restricted for bond costs . . . . .	978
	(1,688,661)
Net cash (used in) investing activities. . . . .	
Net decrease in cash and cash equivalents . . . . .	
	(492,344)
Cash and cash equivalents, January 1 . . . . .	
	5,864,334
Cash and cash equivalents, December 31. . . . .	
	\$ 5,371,990
Reconciliation of operating income to net cash provided by operating activities:	
Operating income . . . . .	\$ 420,065
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in prepayments. . . . .	(851)
(Decrease) in accounts payable. . . . .	(733)
(Decrease) in accrued salaries and benefits payable. . . . .	(5,121)
(Decrease) in accrued service fees payable. . . . .	(31)
	413,329
Net cash provided by operating activities. . . . .	
	\$ 413,329

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Columbus-Franklin County Finance Authority (the Authority) is a legally separate entity organized under Ohio Revised Code Section 4582.21 through 4582.59. The Authority was established on March 21, 2006 by legislative action of the Columbus City Council and the Franklin County Board of Commissioners for the purposes of providing creative and attractive financing to private and civic sectors as well as to enhance and facilitate economic development, job retention and creation in the Central Ohio region. The Authority, organized as a port authority under Ohio law, began operations on May 11, 2006.

The Board of Directors (the "Board") is the governing body of the Authority. The Board consists of nine members each of whom shall serve for a term of four years, of which four are appointed by the Mayor of the City of Columbus, with advice and consent of the Columbus City Council, four are appointed by the Board of County Commissioners of the County of Franklin, Ohio, and one shall be a joint appointment. The officers of the Board consist of a Chairman, Vice-Chairman and Secretary-Treasurer. These officers are elected annually by the Board. All of the authority of the Authority is exercised by or under the direction of the Board. The Board sets and approves all policies and other contracts that are accepted or entered into by the Authority. All members of the Board serve without compensation.

The Authority is considered a joint venture of the City of Columbus and Franklin County. The Authority provides financing primarily through its Central Ohio Bond Fund (COBF) program (See Note 5) and its Conduit Financing program (See Note 6). The Authority is also involved in certain other financing projects described in Note 7.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has the option to apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989, provided this guidance does not conflict with or contradict GASB pronouncements. The Authority has elected not to apply this FASB guidance.

The Authority's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Authority are not misleading. The Authority has no component units and no other governmental organizations other than the Authority itself are included in the financial reporting entity.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

The Authority maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Authority uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

**C. Basis of Presentation**

The Authority's basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows. The Authority uses a single enterprise fund to maintain its financial records during the year.

**D. Basis of Accounting/Measurement Focus**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. For financial statement presentation purposes, the Authority utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred. Revenues received in advance are deferred and recognized as earned over the period to which they relate.

The Authority's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the Authority's operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Authority finances and meets the cash flows of its enterprise activity.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from operating grants from the City of Columbus and from Franklin County and financing processing and servicing fees. Operating expenses for the Authority include the cost of providing these services, including administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues include tax increment financing payments revenues from the City of Columbus related to the Harrison West Project, New Community Authority financing payment revenues in conjunction with the One Neighborhood Project (both Phase 1 and Phase 2), State grant proceeds and tax increment financing payments revenues related to other financing projects, and interest earnings. Nonoperating expenses include pass through grant and tax increment financing payments related to other financing projects as well as fiscal charges related to these projects. Nonoperating expenses also include interest payments, bond issue costs, pass through bond proceeds, fiscal charges and developer expenses related to projects financed through the COBF. Nonoperating revenues and expenses also include changes in the fair value of the Authority's investments.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Cash and Investments**

During fiscal year 2012, investments were limited to negotiable certificates of deposit (CDs) (insured by the Federal Deposit Insurance Corporation (FDIC)), money market accounts and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

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 SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2012.

Investments of the COBF reserve are reported as restricted assets on the financial statements to the extent that their use is subject to constraints externally imposed by creditors, grant contributors, or laws or regulations of other governments. The Authority is required to restrict \$5,000,000 which represents the proceeds of a City of Columbus bond reserve grant, a Franklin County bond reserve grant and proceeds of the State loan. Interest earnings on these cash and investments, including fluctuations in the fair value of the investments, in excess of the \$5,000,000 may be used for general operations of the Authority. For 2012, the investments of the COBF reserve had a fair value of \$54,015 over their cost basis. This amount is recorded as an unrestricted investment at year end. The unrestricted cash and cash equivalents and investments reported on the statement of financial position are used for the general operations of the Authority. The fair value of investments was \$4,687 less than their cost basis at December 31, 2011 and was \$54,015 greater than their cost basis at December 31, 2012. The fluctuation in the fair values of investments of \$58,702 is reported as nonoperating revenue in the Authority's financial statements.

Cash equivalents with fiscal agent represents monies held by a trustee in accordance with the bond indentures for the bonds issued through the Authority's COBF.

For purposes of the statement of cash flows and for reporting on the statement of net position, investments with original maturities of three months or less at the time they are purchased by the Authority are considered to be "cash equivalents". Investments with an initial maturity of more than three months are considered to be "investments". The cash activity related to the restricted cash equivalents with fiscal agent is reported in the Authority's statement of cash flows.

An analysis of the Authority's cash and investments at fiscal year-end is provided in Note 3.

**F. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Net Position**

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position has been restricted for grant and loan proceeds that are used in the COBF program. The Authority has received a \$1,250,000 grant from the City of Columbus, a \$1,250,000 grant from Franklin County and \$2,500,000 in proceeds from a State loan to establish the COBF reserve. Restricted net position is reduced by the balance of the State loan payable at year end. In addition, the Authority has reported restricted net position for tax increment financing payments received and maintained in a separate Program Fund account for the Rickenbacker Project. The amount of restricted funds is determined by 75 percent of TIF revenues received for Authority purposes. These monies must be used for project-related costs within 10 miles of the Rickenbacker. Twenty-five percent of the TIF revenues received for Authority purposes may be used for operations.

**H. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code, and requires an annual budget. This budget includes estimated receipts and appropriations. In addition, the Authority's Formative Agreement with the City of Columbus and Franklin County requires the Board of Directors to adopt an appropriation resolution. The Authority maintains budgetary control by not permitting expenses to exceed their respective appropriations without amendment or appropriations from the Board of Directors.

**I. Intergovernmental Revenue**

The Authority currently receives operating grants through the City of Columbus and Franklin County. Revenues from these grants are recognized as operating revenue in the accounting period in which it is earned, essentially the same as the fiscal year.

**J. Unamortized Bond Discounts and Premiums**

In the financial statements, bond discounts and premiums related to bonds issued through the COBF program, are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond discounts and premiums are presented as an increase or decrease of the face amount of the bond payable (see Note 5).

**K. Capital Assets**

The Authority maintains a capitalization threshold of \$5,000. The Authority does not possess capital assets exceeding this capitalization threshold; therefore, no capital assets are reported on the statement of net position.

**L. Pledged Receivable**

The Authority has reported a pledged receivable for contractually obligated future revenues due to the Authority that are considered under GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" to be collateralized borrowings. Pledged receivables have been reported in conjunction with activities of the COBF (see Note 5) and for transactions related to the Pizzuti state forgivable loan (see Note 7).

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Compensated Absences**

Authority employees are entitled to ten days of sick leave per year. Employees are not permitted to carry over unused sick leave and there is no payment for unused sick leave at year end. Employees are not permitted to carry unused vacation over into the next fiscal year. No liability exists for compensated absences at fiscal year end.

**N. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**O. Receivables**

At December 31, 2012, the Authority has a \$123,602 receivable related to the \$2,342,190 grant from the Ohio Department of Development's Clean Ohio Revitalization Fund in conjunction with its project partner, Klingbeil Capital Management. The receivable represents a draw for work performed in 2012 that was not received until 2013. The receivable is offset by a corresponding payable to Klingbeil Capital Management for the pass through grant proceeds.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The Authority has developed and adheres to its investment policy described below:

**A. Investment Policy Statement and Scope of Policy**

The purpose of the investment policy (the "Policy") is to establish the investment objectives of the Authority. All investments of the Authority shall be made in a prudent manner and in compliance with all applicable federal, state and county laws and regulations. This Policy is intended to serve as a guide to the investment of Authority funds and to provide notice to any entity conducting investment business with the Authority.

The Authority has two different types of funds:

1. Operating funds which are subject to all the public fund requirements pursuant to Chapter 135 of the Ohio Revised Code (ORC), and
2. Funds held in trust for the purpose of securing the Bond Fund program, which are not required to be invested as public funds.

Consequently, the Policy provides guidance as to how best to invest each set of funds. The Policy covers both the Authority's operating funds as well as the funds invested under the trust indenture securing the Bond Fund program.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investment Objective**

The primary objective in investing Authority funds is to assure the safety of principal. The secondary objectives of the investment policy are to provide adequate liquidity and maximize investment income, without undue exposure to risk. Investments shall be limited to those which employees and the Board have the capacity and experience to assess and administer.

**C. Investment Responsibilities and Procedures**

**1. Investment Officer**

The Investment Officer will be the President or another employee so designated by the Board. The Investment Officer will make investment decisions in consultation with the Chair of the Board, the Chair of the Finance Committee or the Chair's designee.

**2. Investment Advisors, Qualified Dealers and Financial Institutions**

The Authority may retain the services of one or more registered investment advisors. Except for securities described in Section 135.14(B)(5), Ohio Revised Code (no-load money funds and certain repurchase agreements) and Section 135.14(B)(6), Ohio Revised Code (STAR Ohio and Star Plus), all investments will be made through (i) a member of the National Association of Securities Dealers, Inc. or (ii) an institution regulated by the Superintendent of Banks, the Superintendent of Savings and Loan Associations, the Comptroller of the Currency, the Federal Deposit Insurance Corporation (FDIC) or the Board of Governors of the Federal Reserve System.

The Authority's Finance Committee will annually approve a list of broker-dealers with whom the Authority will transact business. Delivery of any securities acquired with any repurchase agreement shall be made to a qualified trustee, who will report to the President or the identity, market value and location of the document evidencing each security.

**3. Transaction Journal**

The President shall keep a Transaction Journal documenting the purchase of investments. It shall include the following information for each investment: the amount, the rate, the maturity, the purchase date, the type of investment, the qualified broker-dealer and the rationale for the purchase. Additionally, quarterly updates of operating fund investments and safekept documents will be noted.

**4. Payment for Securities**

Payment for securities may be made only upon delivery of the securities to the President of the Authority, their agent or a qualified trustee, or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer to the custodian by the President.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

**5. Safekeeping and Custody**

The President, whose duties include management of the Authority investments, shall be responsible for safekeeping of all documents evidencing a deposit or other investment of the Authority. Any securities may be deposited for safekeeping with a qualified trustee as provided in Section 135.18, ORC.

**6. Annual Review**

The Chair of the Finance Committee shall establish an annual review process of investment policies and procedures. This review will include an internal review for compliance with all investment policies and procedures.

**7. Investment Oversight Committee**

The Authority's Audit Committee will serve as the Investment Oversight Committee. The role of the Investment Oversight Committee is to review investment decisions on both 1) the operating funds and 2) the funds securing the Authority's Bond Fund program (held in trust) to ensure compliance with this investment policy. This review will include the annual audit conducted by the Auditor of the State of Ohio or such person's designee.

**D. Investments**

**1. Investment Strategy - Operating Funds**

For operating funds, a minimum of the greater of: (a) 3-months operating expenses or (b) 12-months projected net cash flow should be retained in eligible investments which provide immediate liquidity, such as a bank Money Market Account or Star Ohio and STAR Plus. Any excess liquidity above that amount should be maintained in eligible investments of (i) less than or equal to 18 months or (ii) with a maturity of not greater than 30 months and is immediately saleable. The investment officer should certify quarterly that operating funds are being invested accordingly. The most recent budget/forecast for the current year should be used to determine monthly operating expenses and projected net cash flows. Activity should be documented in the transaction journal.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

**2. Eligible Investments – Operating Funds**

Operating funds may be invested in the following:

- a. Treasury Bills, notes, bonds, or any other obligations or securities issued by the US Treasury or any other obligations guaranteed as to principal and interest by the United States government (except stripped principal or interest obligations of such eligible obligations);
- b. Federal Agency/Instrumentality Securities (including, but not limited to):
  - Federal National Mortgage Association (FNMA)
  - Federal Farm Credit Bank (FFC)
  - Federal Home Loan Bank (FHLB)
  - Federal Home Loan Mortgage Corporation (FHLMC)
  - Government National Mortgage Association (GNMA)
  - Student Loan Marketing Association (SLMA);
- c. Certificates of Deposit or savings or deposit accounts in eligible depositories that have 100% coverage from the FDIC or are fully collateralized under the requirements of the ORC;
- d. General obligations of the State of Ohio or any political subdivision of the State of Ohio;
- e. No-Load Money Market Mutual Funds consisting exclusively of Treasury or Federal Agency/Instrumentality obligations and Repurchase Agreements secured by Treasury, or Federal Agency/Instrumentality obligations made through eligible institutions;
- f. STAR Ohio (State Treasury Asset Reserve of Ohio) and Star Plus; but only at any time at which STAR Ohio and Star Plus maintains the highest letter or numerical rating provided by at least one nationally recognized rating service; or
- g. Repurchase Agreement(s) collateralized as required by the Ohio Revised Code with Treasury or Federal Agency/Instrumentality obligations and made through eligible institutions and for no longer than thirty (30) days.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

**3. Investment Strategy - Bond Fund Reserves**

It is appropriate to maintain a portion of Bond Fund Reserve investments in eligible investments with a maturity of (i) less than or equal to 18 months or (ii) not greater than 30 months and is immediately saleable to provide liquidity to meet debt service payments on Bond Fund loans in the event of a loan default. The amount or percentage of the portfolio to be so invested should be periodically determined (at least annually) by the Finance Committee, with input from the President, based on:

- a. The amount of Bond Fund loans outstanding;
- b. The credit quality of the loan portfolio and any potential defaults that exist, including an attempt to quantify such amount (provided by the President); and
- c. The level of cash flow available to the Authority (including operating funds) to meet principal and interest payments on defaulted bonds.

The remainder of the bond fund reserves will be invested in eligible instruments with a maturity of no more than seven (7) years.

**4. Eligible Investments - Bond Fund Reserves**

Bond fund reserves may be invested in the following:

- a. obligations (including stripped obligations the principal of and interest on which have been separated and offered for sale separately from each other) issued or guaranteed as to full and timely payment by the United States of America or by any Person controlled or supervised by or acting as an instrumentality of the United States of America pursuant to authority granted by Congress;
- b. obligations issued or guaranteed by any state or political subdivision thereof (including stripped obligations the principal of and interest on which have been separated and offered for sale separately from each other) and long-term debt obligations of other Persons, in any case rated at the time of purchase, if Fitch is then rating the Bonds and rates such obligations, by Fitch, and otherwise by any Rating Service, in the highest category (without distinction as to number or symbol assigned within a category) if rated as short term obligations or not lower than the third highest category (without distinction as to number or symbol assigned within a category) if rated as long term obligations;
- c. commercial or finance paper which is rated at the time of purchase, if Fitch is then rating the Bonds and rates such obligations, by Fitch and otherwise by any Rating Service in its highest rating category (without distinction as to number or symbol assigned within a category);
- d. deposit accounts, bankers' acceptances, trust accounts, certificates of deposit or bearer deposit notes in one or more banks, trust companies or savings and loan associations (including without limitation, the Trustee or any bank affiliated with the Trustee) organized under the laws of Canada or the United States of America or any state or province thereof, each bank or trust company having a reported shareholder equity of at least \$500,000,000 in dollars of the United States of America and being insured by the Federal Deposit Insurance Corporation and each savings and loan association having a reported shareholder equity of at least \$500,000,000 in dollars of the United States of America and being insured by the Federal Deposit Insurance Corporation;

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

- e. investment agreements (which term shall not include repurchase agreements) with a bank or bank holding company, an insurance company or any other financial institution (including the Trustee and any of its affiliates) rated in at least the third highest rating category by any Rating Service, without distinction as to number or symbol assigned within a category, if rated as long-term debt, and if rated as short-term debt, in the highest rating category by any Rating Service;
- f. repurchase agreements with a financial institution (including the Trustee or any of its affiliates) insured by the FDIC, or any broker or dealer (as defined in the Securities Exchange Act of 1934 as amended), that is a dealer in government bonds and that is recognized by, trades with and reports to, a Federal Reserve Bank as a primary dealer in government securities, provided in any case: (a) the collateral for the repurchase agreement is described in paragraph (1) above, (b) the current market value of the collateral securing the repurchase agreement is at least equal to the amount of the repurchase agreement and is determined not less frequently than monthly, (c) the Trustee, or an agent acting solely on its behalf, has possession of the collateral, (d) the Trustee has a first priority perfected security interest in the collateral, and (e) the collateral is free and clear of any third party claims; provided that, the Trustee may rely on the certificate of its agent as to possession, priority of the security interest and absence of third party claims; and
- g. investments in money market funds which are principally composed of obligations described in paragraphs (1), (2), (3), (4) or (5) of this section (including, without limitation, funds for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder, servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (b) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates);
- h. provided further that any investment or deposit described above in connection with a Series of Tax-Free Bonds does not constitute a "prohibited payment" within the meaning of the applicable Regulations or other similar applicable provisions. Except to the extent set forth in an Opinion of Bond Counsel, investments or deposits in certificates of deposit or pursuant to investment contracts shall not be made in connection with a Series of Tax-Free Bonds without compliance, at or prior to such investment or deposit, with the requirements of the applicable Regulations or with other similar applicable provisions.

**E. Ethics and Conflict of Interest**

The President or and any other employees or board members of the Authority involved in the investment process shall refrain from any personal business activity that could impair the employee's ability to make impartial investment decisions. Each employee shall disclose any material interest in any financial institution that conducts business with the Authority, and each employee shall further disclose any large personal financial/investment position that could be related to the performance of the Authority's portfolio.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

**F. Investment Education**

Pursuant to Section 135.22, ORC, the President, whose duties include management of the Authority's investments, shall complete the continuing education provided by the Treasurer of the State of Ohio.

The Authority had the following deposits and investments at December 31, 2012 with detailed information in Sections G, H and I:

	<u>Amount</u>	<u>Classification on Statement of Net Assets</u>
Deposits with Financial Institutions:		
<u>Operating funds:</u>		
Checking account	\$ 1,837,512	Unrestricted - cash and cash equivalents
Trust Public Funds Deposit account	13,637	Unrestricted - cash and cash equivalents
<u>Program fund:</u>		
Deposit account	585,700	Restricted - cash and cash equivalents
<u>COBF reserve:</u>		
Trust Public Funds Deposit account	785,890	Restricted - cash and cash equivalents
Money market accounts	250,110	Restricted - cash and cash equivalents
<u>Bond funds with fiscal agent:</u>		
Trust Public Funds Deposit accounts	<u>1,897,332</u>	Restricted - cash equivalents with fiscal agent
Subtotal "Deposits with Financial Institutions"	<u>5,370,181</u>	
Investments:		
<u>Operating funds:</u>		
STAR Ohio	\$ 1,809	Unrestricted - cash and cash equivalents
<u>COBF reserve:</u>		
Negotiable CDs	3,964,000	Restricted - investment
Fair value adjustment - negotiable CDs	<u>54,015</u>	Unrestricted - investment
Subtotal "Investments"	<u>4,019,824</u>	
Total deposits and investments	<u>\$ 9,390,005</u>	

**G. Cash Equivalents with Fiscal Agent**

At December 31, 2012, the Authority had \$1,897,332 in cash equivalents held by a fiscal agent as trustee in accordance with the bond indenture for the Harrison West Project, the One Neighborhood Project-Phase 1 and the One Neighborhood Project-Phase 2 financed through the COBF Program. The monies were invested by the fiscal agent in the Trust Public Funds Deposit accounts which are included in "Deposits with Financial Institutions" below.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

**H. Deposits with Financial Institutions**

At December 31, 2012, the carrying amount and bank balance of the Authority's deposits (both restricted and unrestricted) was \$5,370,181 (this number excludes investments referenced in Note 3(I)). The carrying value and the bank balance include \$1,837,512 in an operating checking account (unrestricted), \$13,637 in Trust Public Fund Deposits accounts (unrestricted), \$585,700 in a Program Fund account (restricted), \$250,110 in money market accounts (restricted), \$785,890 in Trust Public Fund deposit accounts related to the COBF reserve (restricted) and \$1,897,332 in Trust Public Fund Deposit accounts held by the fiscal agent related to the Harrison West and One Neighborhood projects (both Phase 1 and Phase 2). \$500,000 of the bank balance was covered by the Federal Deposit Insurance Corporation, \$110 was uninsured and uncollateralized and the remaining balance was collateralized.

**I. Investments**

As of December 31, 2012, the Authority had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Negotiable CDs	\$ 4,018,015	\$ 247,616	\$ 495,940	\$ 247,685	\$ 992,412	\$ 2,034,362
STAR Ohio	1,809	1,809	-	-	-	-
	<u>\$ 4,019,824</u>	<u>\$ 249,425</u>	<u>\$ 495,940</u>	<u>\$ 247,685</u>	<u>\$ 992,412</u>	<u>\$ 2,034,362</u>

The weighted average length to maturity of investment is 2.56 years.

*Interest Rate Risk:* The Authority's investment policy limits the investment of operating funds as described in Note 3.D.1 above and limits the investment of bond fund reserves as described in Note 3.D.3 above. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Authority's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The negotiable certificates of deposit are fully covered by the FDIC.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the custodial agent, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The Authority's investment policy does not specifically address the concentration of credit risk. The Authority places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Authority at December 31, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable CDs	\$ 4,018,015	99.95
STAR Ohio	<u>1,809</u>	<u>0.05</u>
	<u>\$ 4,019,824</u>	<u>100.00</u>

*Collateralization of Deposits and Investments:* The following table displays the collateralization of the Authority's deposits and investments:

	<u>Insured/ Collateralized</u>	<u>Uninsured/ Uncollateralized</u>	<u>Total</u>
Deposits:			
Checking and Program Fund account	\$ 2,423,212	\$ -	\$ 2,423,212
Money Market Accounts	250,000	110	250,110
Trust Public Funds Deposit accounts	2,696,859	-	2,696,859
Investments:			
Negotiable CDs	4,018,015	-	4,018,015
STAR Ohio	<u>-</u>	<u>1,809</u>	<u>1,809</u>
	<u>\$ 9,388,086</u>	<u>\$ 1,919</u>	<u>\$ 9,390,005</u>

**J. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of December 31, 2012:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 5,370,181
Investments	<u>4,019,824</u>
Total	<u>\$ 9,390,005</u>

<u>Cash and investments on Statement of Net Position</u>	
<u>Unrestricted:</u>	
Cash and cash equivalents	\$ 1,852,958
Investments	54,015
<u>Restricted:</u>	
Cash and cash equivalents	1,621,700
Investments	3,964,000
Cash equivalents with fiscal agent	<u>1,897,332</u>
Total	<u>\$ 9,390,005</u>

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 4 - RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. Commercial insurance has been obtained to cover damage or destruction of the Authority's property and for public liability, personal injury, and third-party property damage claims. There have been no claims in any of the past three years. There has been no reduction in coverage from the prior year.

**NOTE 5 - CENTRAL OHIO BOND FUND PROGRAM**

The Authority has established a COBF program to provide long-term, fixed interest rate financing for qualified industrial, commercial and public projects. The primary objective of the COBF is to further economic development efforts and investment in central Ohio.

To fund the COBF reserve account, the Authority received \$5,000,000 in grants and loans. On December 21, 2006, the Authority received a \$1,250,000 grant from Franklin County. On March 15, 2007, the Authority received a \$1,250,000 grant from the City of Columbus. On May 8, 2007, the Authority received a \$2,500,000 loan from the State of Ohio Department of Development (See Note 8). The grant revenues and loan proceeds were deposited into the COBF reserve account and are reported as restricted assets on the statement of net position. Interest earned on investments purchased by the grant proceeds is not required to be maintained in the COBF reserve and may be used by the Authority for general operations.

Under the COBF, debt service requirements on each bond issue are secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financed facilities. In addition, all borrowers are required to provide 10% of the bond premium in a reserve (which is used to make the final payment on the bonds). Amounts in the COBF reserve account may be used for debt service in the event the borrower is unable to make the required payments under the lease or loan agreements. The amount held in the COBF reserve account at December 31, 2012 of \$5,000,000 is restricted in use and reported as a restricted asset on the statement of net position.

The following activity has occurred in the COBF program:

Harrison West Project

On December 19, 2007, the Authority issued \$3,080,000 in Series 2007A revenue bonds, as part of the Harrison West Project. The proceeds of these bonds are used to purchase land for a four-acre park in the Harrison Park residential development and for development of park amenities. The bonds will be repaid from pledged Tax Increment Financing (TIF) revenues from the City of Columbus in accordance with the Cooperative Agreement between the Authority and the City of Columbus. The revenues to repay the bonds will be generated through the increased real estate taxes from the TIF District. Principal and interest payments are due May 15 and November 15 of each year. During fiscal year 2012, the Authority was required to make a \$50,000 principal payment on the bonds. The Authority made principal payments totaling \$120,000 during 2012 due to excess revenues received from the project. The bonds bear an interest rate of 6.00%.

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**NOTE 5 - CENTRAL OHIO BOND FUND PROGRAM - (Continued)**

The following is a schedule of the bond activity in fiscal year 2012:

	Balance 12/31/11	Issued	Retired	Balance 12/31/12	Amount due within one year
Harrison West Project:					
Revenue Bonds	\$ 2,770,000	\$ -	\$ (120,000)	\$ 2,650,000	\$ 55,000
Unamortized discount	(66,000)	-	2,750	(63,250)	-
<b>Total</b>	<u>\$ 2,704,000</u>	<u>\$ -</u>	<u>\$ (117,250)</u>	<u>\$ 2,586,750</u>	<u>\$ 55,000</u>

In accordance with the bond indenture, certain bond proceeds were used to fund various accounts with a trustee. The balance of the amounts held by the trustee at December 31, 2012 was \$655,243. This amount is reported as restricted cash equivalents with fiscal agent on the statement of net position. Of this total, \$5 is due to the developer of the Harrison West Project for project costs as year-end. This amount has been reported as a current liability payable from restricted assets on the statement of net position. In addition, \$18,495 of the \$655,243 represents interest earned on the investments which is restricted to be used for future bond costs. This amount has also been reported as a current liability payable from restricted assets on the statement of net position.

The Authority may make accelerated principal payments on the Harrison West revenue bonds should revenues from the project exceed scheduled debt service requirements. The original bonds were scheduled to mature May 15, 2035; however, the bonds may be retired sooner based upon anticipated accelerated principal payments. During 2011 and 2012, the Authority made additional principal payments of \$75,000 and \$70,000, respectively, beyond the required principal payments. The following is a projected schedule of the estimated future debt service requirements to maturity for the Harrison West revenue bonds. These amounts may vary due to the Authority's ability to accelerate principal payments:

Harrison West Revenue Bonds			
Year Ending	Principal	Interest	Total
2013	\$ 55,000	\$ 157,350	\$ 212,350
2014	55,000	154,050	209,050
2015	60,000	150,600	210,600
2016	65,000	146,850	211,850
2017	70,000	142,800	212,800
2018 - 2022	425,000	642,750	1,067,750
2023 - 2027	570,000	495,000	1,065,000
2028 - 2032	785,000	293,250	1,078,250
2033 - 2035	565,000	72,750	637,750
<b>Total</b>	<u>\$ 2,650,000</u>	<u>\$ 2,255,400</u>	<u>\$ 4,905,400</u>

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - CENTRAL OHIO BOND FUND PROGRAM - (Continued)**

The Harrison West revenue bonds are special obligations and not general obligations of the Authority. The bonds do not represent or constitute a debt or pledge of the faith and credit of the Authority. The revenue bonds, related accrued interest payable and bond costs payable are reported as liabilities on the statement of net position. The Authority has reported assets for a pledged receivable from the City of Columbus and cash equivalents held by the fiscal agent that are dedicated to the project. These assets are reported as restricted assets on the statement of net position.

The Authority has pledged TIF revenues from the City of Columbus in accordance with the Cooperative Agreement between the Authority and the City of Columbus for repayment of the Harrison West revenue bonds. The Harrison West revenue bonds are payable solely from these pledged revenues. The total principal and anticipated interest remaining on the bonds is \$4,905,400, payable through 2035. For the current year, principal and interest paid was \$282,600 and total tax increment financing payments received was \$592,774

One Neighborhood Project – Phase 1

On October 21, 2010, the Authority issued \$2,450,000 in Series 2010 revenue bonds, as part of the One Neighborhood Project. The proceeds of these bonds are to pay for public infrastructure improvements associated with residential development along Gay Street between North Fourth Street and Grant Street. The bonds will be repaid from pledged New Community Authority charges imposed on the residents of the neighborhood (25 mills) along with tax increment financing revenues. Interest payments are due May 15 and November 15 of each year. Principal payments begin on November 15, 2022 and are payable each November 15 until maturity on November 15, 2039. The bonds bear an interest rate of 6.5%.

The following is a schedule of the bond activity in fiscal year 2012:

	<u>Balance</u> <u>12/31/11</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/12</u>	<u>Amount due</u> <u>within one year</u>
One Neighborhood Project:					
Revenue Bonds	\$ 2,450,000	\$ -	\$ -	\$ 2,450,000	\$ -
Unamortized premium	<u>16,366</u>	<u>-</u>	<u>(588)</u>	<u>15,778</u>	<u>-</u>
Total	<u>\$ 2,466,366</u>	<u>\$ -</u>	<u>\$ (588)</u>	<u>\$ 2,465,778</u>	<u>\$ -</u>

In accordance with the bond indenture, certain bond proceeds were used to fund various accounts with a trustee. The balance of the amounts held by the trustee at December 31, 2012 was \$504,541. This amount is reported as restricted cash equivalents with fiscal agent on the statement of net position. Included in this total is \$1,394 of interest earned on the investments which is restricted to be used for future bond costs. This amount has been reported as a current liability payable from restricted assets on the statement of net position.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - CENTRAL OHIO BOND FUND PROGRAM - (Continued)**

The following is a schedule of the future debt service requirements to maturity for the Series 2010 One Neighborhood revenue bonds:

Series 2010 One Neighborhood Revenue Bonds			
Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 159,250	\$ 159,250
2014	-	159,250	159,250
2015	-	159,250	159,250
2016	-	159,250	159,250
2017	-	159,250	159,250
2018 - 2022	35,000	796,250	831,250
2023 - 2027	385,000	741,325	1,126,325
2028 - 2032	570,000	590,525	1,160,525
2033 - 2037	810,000	376,675	1,186,675
2038 - 2039	<u>650,000</u>	<u>71,825</u>	<u>721,825</u>
Total	<u>\$ 2,450,000</u>	<u>\$ 3,372,850</u>	<u>\$ 5,822,850</u>

The One Neighborhood revenue bonds are special obligations and not general obligations of the Authority. The bonds do not represent or constitute a debt or pledge of the faith and credit of the Authority. The revenue bonds, related accrued interest payable and bond costs payable are reported as liabilities on the statement of financial position. The Authority has reported assets for a pledged receivable and cash equivalents held by the fiscal agent which are dedicated to the project. These assets are reported as restricted assets on the statement of net position.

The Authority has pledged New Community Authority charges imposed on the residents of the neighborhood (25 mills) along with TIF revenues for repayment of the One Neighborhood revenue bonds. The Series 2010 One Neighborhood revenue bonds are payable solely from these pledged revenues. The total principal and interest remaining on the bonds is \$5,822,850, payable through 2039. For the current year, interest paid was \$159,250 and total tax increment/community authority financing payments received was \$170,276.

One Neighborhood Project – Phase 2

On December 20, 2012, the Authority issued \$2,090,000 in Series 2012A revenue bonds, as part of the One Neighborhood Project. The proceeds of these bonds are to pay for public infrastructure improvements associated with two five-story apartment buildings with 262 units, a 170 stall parking garage, and 33 condominium units. The bonds will be repaid from pledged New Community Authority charges imposed on the residents of the neighborhood (25 mills) along with tax increment financing revenues. Interest payments are due May 15 and November 15 of each year. Principal payments begin on November 15, 2016 and are payable each November 15 until maturity on November 15, 2039. The bonds bear an interest rate of 5.375%.

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**NOTE 5 - CENTRAL OHIO BOND FUND PROGRAM - (Continued)**

The following is a schedule of the bond activity in fiscal year 2012:

	Balance 12/31/11	Issued	Retired	Balance 12/31/12	Amount due within one year
One Neighborhood Project:					
Revenue Bonds	\$ -	\$ 2,090,000	\$ -	\$ 2,090,000	\$ -

In accordance with the bond indenture, certain bond proceeds were used to fund various accounts with a trustee. The balance of the amounts held by the trustee at December 31, 2012 was \$737,548. This amount is reported as restricted cash equivalents with fiscal agent on the statement of net position.

The following is a schedule of the future debt service requirements to maturity for the Series 2012A One Neighborhood revenue bonds:

Series 2012A One Neighborhood Revenue Bonds				
Year Ending	Principal	Interest	Total	
2013	\$ -	\$ 101,416	\$	101,416
2014	-	112,338		112,338
2015	-	112,338		112,338
2016	10,000	112,338		122,338
2017	10,000	111,800		121,800
2018 - 2022	140,000	542,873		682,873
2023 - 2027	325,000	493,157		818,157
2028 - 2032	520,000	377,862		897,862
2033 - 2037	700,000	220,106		920,106
2038 - 2039	385,000	32,250		417,250
Total	\$ 2,090,000	\$ 2,216,478	\$	4,306,478

The One Neighborhood revenue bonds are special obligations and not general obligations of the Authority. The bonds do not represent or constitute a debt or pledge of the faith and credit of the Authority. The revenue bonds, related accrued interest payable and bond issue costs payable are reported as liabilities on the statement of net position. The Authority has reported assets for a pledged receivable, amounts due from the New Community Authority, and cash equivalents held by the fiscal agent which is dedicated to the project. These assets are reported as restricted assets on the statement of net position.

Upon issuance of the Series 2012A One Neighborhood revenue bonds, certain issuance costs associated with the bond deal were to be paid by the Authority. As of December 31, 2012, these issuance costs have not been expended from the trust accounts established with the fiscal agent. A liability has been recorded in the amount of \$40,016 for issuance costs incurred but not paid by December 31, 2012. In addition, the Authority's trustee paid certain issuance costs that were to be paid by the New Community Authority. A receivable has been recorded in the amount of \$62,212 for issuance costs paid by the Authority's trustee that will be reimbursed by the New Community Authority.

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**NOTE 5 - CENTRAL OHIO BOND FUND PROGRAM - (Continued)**

The Authority has pledged New Community Authority charges imposed on the residents of the neighborhood (25 mills) along with TIF revenues for repayment of the Series 2012A One Neighborhood revenue bonds. The One Neighborhood revenue bonds are payable solely from these pledged revenues. The total principal and interest remaining on the bonds is \$4,306,478, payable through 2039. For the current year, no interest was paid on the bonds and no tax increment/community authority financing payments were received.

**NOTE 6 - CONDUIT FINANCING PROGRAM**

Conduit financing represent bonds and notes for project financings which are collateralized by the related amounts to be received under leases. In accordance with GASB Interpretation No. 2 “Disclosure of Conduit Debt Obligations”, the bonds issued by the Authority under conduit financing program do not create a liability to the Authority and therefore are not presented on the Authority’s financial statements. The Authority has no responsibility for the payment of the debt issued as the repayment is supported solely by the credit of the borrowing entity (frequently enhanced with a letter of credit). Under the conduit financing program, there is no credit exposure to the Authority. The total amount of conduit debt issued and the outstanding at December 31, 2012 is \$316,467,867. Six projects financed through the Authority’s conduit financing program had additional benefits as described below:

Nationwide Children’s Hospital and 3MX Project

In 2010, the Authority issued \$2,200,000 in Recovery Zone Facility Bonds on behalf of 3MX (developer) to make building improvements to accommodate an expansion of Nationwide Children’s Hospital for its behavioral health group. Under the financing transaction, the Authority obtained title to the building for \$1 and entered into a triple-net capital lease with 3MX. The bonds had a 12 year term based on the term of the lease between 3MX and Children’s Hospital. At the end of the term, the building title was to revert back to the developer for \$1. The Authority does not receive any lease payments or any other form of compensation under this arrangement beyond the conduit financing fees generated and the Authority had no responsibility for repayment of the bonds. During 2012, the bonds were defeased and the building reverted back to the developer.

Grandview Yard Project

In 2009, the Authority issued \$12,000,000 in revenue bonds for a 40-year term to finance road improvements, utility extensions and parking at Grandview Yard. Grandview Yard is a 90- acre mixed-use development at the eastern edge of Grandview Heights between Goodale and West Third Ave. The developer of the project is Nationwide Realty Investors (NRI). Under the financing transaction, the Authority obtained title to a parking structure for the 40-year term of the financing. The land under the parking structure is leased to the Authority as a ground lease for 99 years; fee title to the land is held by NRI. Either the Authority or NRI can terminate the ground lease with 10 days notice after the bonds are paid off. Once the ground lease has matured or is terminated, title to the parking structure will revert to NRI. A maintenance and management agreement has been structured with NRI to manage the facility. The Authority does not receive any lease payments or any other form of compensation under this arrangement beyond the conduit financing fees generated and the Authority has no responsibility for repayment of the bonds.

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**NOTE 6 - CONDUIT FINANCING PROGRAM - (Continued)**

Hubbard Parking Garage

In 2012, the Authority issued \$9,830,000 in bonds to finance a 250-space parking garage. The parking garage is located in the Short North district of Columbus on the east side of High Street at East Hubbard Avenue. The developer of the project is E.W. High Street, LLC. Under the financing transaction, the Authority obtained title to a parking structure for the 24-year term of the financing. The land under the parking structure is leased to the Authority as a ground lease for 31 years; fee title to the land is held by E.W. High Street, LLC. Once the ground lease has matured or is terminated, title to the parking structure will revert to E.W. High Street, LLC. A maintenance and management agreement has been structured with E.W. High Street, LLC to manage the facility. The Authority does not receive any lease payments or any other form of compensation under this arrangement beyond the conduit financing fees generated and the Authority has no responsibility for repayment of the bonds.

Sid Tool/MSC Industrial Direct

In 2012, the Authority issued \$35,000,000 in bonds to finance the construction of a 400,000 square foot distribution center on 70 acres of land near Bolton Field in Columbus. Sid Tool is a subsidiary of MSC Industrial Direct. Under the financing transaction, the Authority obtained title to the building. The land under the building is leased to the Authority as a ground lease until July 2023; fee title on the land is held by Sid Tool. Once the ground lease has matured or is terminated, title to the building will revert to Sid Tool. The Authority does not receive any lease payments or any other form of compensation under this arrangement beyond the conduit financing fees generated and the Authority has no responsibility for repayment of the bonds.

Lane Avenue Mixed Use Development

In 2012, the Authority issued \$18,525,000 in bonds to finance mixed use development located across the street from Lane Avenue shopping center in Upper Arlington. Under the financing transaction, the Authority obtained title to the mixed use development. The mixed use development is leased to the Authority as a ground lease with a termination date of January 13, 2020; fee title on the land is held by Lane Avenue Redevelopment, LLC. Once the ground lease has matured or is terminated, title to the mixed use development will revert to Lane Avenue Redevelopment, LLC. The Authority does not receive any lease payments or any other form of compensation under this arrangement beyond the conduit financing fees generated and the Authority has no responsibility for repayment of the bonds.

Cornerstone Academy

In 2012, the Authority issued \$10,140,000 in bonds to finance an expansion of Cornerstone Academy Community School, a charter school in Westerville, Ohio. Under the terms of the financing transaction, the Authority obtained title to the charter school. The school is leased to the Authority with a ground lease termination of July 1, 2047; fee title to the land is held by Cornerstone. Once the ground lease has matured or is terminated, the title to the building will revert to Cornerstone Academy Community School. The Authority does not receive any lease payments or any other form of compensation under this arrangement beyond the conduit financing fees generated and the Authority has no responsibility for the repayment of the bonds.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 - OTHER FINANCING PROJECTS**

In 2012, the Authority continued to work with the following financing projects which were not financed through the COBF or the traditional Conduit Financing program:

Pizzuti

In 2012, tax increment financing payments were received from the City of Columbus in the amount of \$385,030. Twenty percent of those funds (\$77,006) were disbursed to Pizzuti per the Authority's legal agreement with Pizzuti and twenty-five percent of the remaining balance (\$77,006) was reported as "conduit and other financing fees" in the Authority's unrestricted operating funds. The remaining funds (\$231,018) are to be used for project-related costs within ten miles of Rickenbacker for at least one loan cycle. As of December 31, 2012, the accumulated funds to be used on project related costs are \$585,700. This amount has been reported as restricted cash and cash equivalents in the financial statements.

On July 22, 2010, the Authority received a \$6,695,855 state forgivable loan in conjunction with Pizzuti for a project in the Rickenbacker area. It is anticipated that the loan will be forgiven in 2014 as the project meets certain agreed criteria. If the loan is not forgiven, the Authority only owes what it receives from pledged tax increment financing payments from the district. During 2010, the Authority received and disbursed \$4,510,788 of the \$6,695,855 loan. During 2011, no additional loan proceeds were received or disbursed and during 2012, \$926,973 of additional loan proceeds were received by the Authority and disbursed.

The Authority has recorded a \$5,437,761 noncurrent liability for the total amount of the loan proceeds that have been received and disbursed for the project through December 31, 2012. The Authority has also recorded a \$5,437,761 pledged receivable for future revenues due from the City of Columbus in accordance with the TIF agreement between the Authority and the City of Columbus.

Klingbeil

On July 11, 2011 the Authority was awarded a \$2,342,190 grant from the Ohio Department of Development's Clean Ohio Revitalization Fund in conjunction with its project partner, Klingbeil Capital Management. During 2011 and 2012, total accrued draws and disbursements were \$976,287 and \$1,365,903, respectively. The receipt and subsequent disbursement is reported as a nonoperating revenue and expense on the Authority's financial statements. \$123,602 has been recorded as a receivable and payable for monies disbursed in 2013 for work performed in 2012. The accrued receipt and accrued disbursement are included in the nonoperating revenue and expense reported on the Authority's financial statements.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - STATE OF OHIO DEPARTMENT OF DEVELOPMENT LOAN**

On May 8, 2007, the Authority received a \$2,500,000 loan from the State of Ohio Department of Development (ODOD). The loan proceeds were deposited into the COBF reserve account. The loan has a 20 year term, matures on June 1, 2027 and bears a 0% interest rate. The loan does charge an annual service fee of .25% based upon the outstanding balance of the loan. Payments of principal and the servicing fees are made each June 1. Loan principal payments are paid from restricted operating funds of the Authority and loan servicing fees are paid from unrestricted operating funds of the Authority.

The following is a schedule of the State loan activity in fiscal year 2012:

	Balance 12/31/11	Issued	Retired	Balance 12/31/12	Amount due within one year
State loan payable	\$ 2,005,000	\$ -	\$ (21,500)	\$ 1,983,500	\$ 30,000

The Authority will repay the ODOD loan using interest earnings on the investments purchased with the loan proceeds. The Authority is only required to remit interest earned as repayment. Since repayment is contingent upon interest earnings which fluctuate annually, an amortization schedule for repayment the ODOD loan is not presented. The Authority anticipates it will repay \$30,000 of the ODOD loan in 2013.

**NOTE 9 - RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE**

The Authority received operating grants from the City of Columbus and Franklin County in the amounts of \$150,000 each to support operations of the Authority for fiscal year 2012.

**NOTE 10 - LETTER OF CREDIT**

The Authority obtained a \$5 million, unsecured letter of credit in order to support issuance of development bonds via the Authority's COBF program. No amounts were outstanding on the letter of credit at December 31, 2012.

**NOTE 11 - CONTINGENCIES**

The Authority is not involved in litigation that, in the opinion of management, would have a material effect on the financial statements.

**NOTE 12 - OPERATING FUNDS**

The Authority's Board of Directors has approved the concept of using up to \$340,000 in operating funds for the following purposes:

1. To attain the highest possible bond rating of the COBF by having sufficient funds available for payment of outstanding COBF bonds in event of default and by building additional cash reserves; and
2. To build reserves to ensure adequate operational funds for unexpected contingencies.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLAN**

Plan Description - The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2012 member contribution rates were 10.00% for members in State and local classifications.

The Authority's contribution rate for 2012 was 14.00% of covered payroll. Of this total, 10.00% was allocated to fund pension benefits and 4.00% was allocated to fund the post-employment health care plan.

The Authority's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011 and 2010 were \$19,289, \$16,865, and \$16,692, respectively; equal to their required contribution for each year.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 14 - POST-RETIREMENT BENEFIT PLAN**

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, local government employers contributed 14.00% of covered payroll. Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare for 2012 was 4.00% of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan. The Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011 and 2010 were \$7,716, \$9,369, and \$10,800, respectively; equal to their required contribution for each year.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 15 - ACCOUNTABILITY**

For 2012, the Authority has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities."

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Authority.

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 changed the presentation of the Authority's financial statements to incorporate the concept of net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 resulted in the following prior period adjustment:

Net assets as previously reported	\$ 4,767,806
Removal of unamortized loan closing costs	<u>(26,980)</u>
Net position at January 1, 2012	<u><u>\$ 4,740,826</u></u>

SUPPLEMENTARY INFORMATION

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2012**

	Operating Funds		Other Financing Projects	Central Ohio Bond Fund			Total
	Unrestricted	Restricted		Harrison West Project	One Neighborhood Project-Phase 1	One Neighborhood Project-Phase 2	
<b>ASSETS:</b>							
<b>Current:</b>							
Cash and cash equivalents . . . . .	\$ 1,852,958	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,852,958
Investments . . . . .	54,015	-	-	-	-	-	54,015
Accrued interest receivable . . . . .	10,486	-	-	-	-	-	10,486
Prepayments . . . . .	6,498	-	-	-	-	-	6,498
<b>Restricted assets:</b>							
<b>Other financing projects transactions:</b>							
State grant receivable - Klingbeil . . . . .	-	-	123,602	-	-	-	123,602
<b>Total current assets . . . . .</b>	<b>1,923,957</b>	<b>-</b>	<b>123,602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,047,559</b>
<b>Noncurrent:</b>							
<b>Restricted assets:</b>							
Cash and cash equivalents . . . . .	-	1,036,000	-	-	-	-	1,036,000
Investments . . . . .	-	3,964,000	-	-	-	-	3,964,000
<b>Other financing projects transactions:</b>							
Cash and cash equivalents . . . . .	-	-	585,700	-	-	-	585,700
Pledged receivable . . . . .	-	-	5,437,761	-	-	-	5,437,761
<b>Bond fund transactions:</b>							
Cash equivalents with fiscal agent . . . . .	-	-	-	655,243	504,541	737,548	1,897,332
Pledged receivable . . . . .	-	-	-	1,970,211	1,982,867	1,333,006	5,286,084
Due from New Community Authority . . . . .	-	-	-	-	-	62,212	62,212
<b>Total restricted assets . . . . .</b>	<b>-</b>	<b>5,000,000</b>	<b>6,023,461</b>	<b>2,625,454</b>	<b>2,487,408</b>	<b>2,132,766</b>	<b>18,269,089</b>
<b>Total noncurrent assets . . . . .</b>	<b>-</b>	<b>5,000,000</b>	<b>6,023,461</b>	<b>2,625,454</b>	<b>2,487,408</b>	<b>2,132,766</b>	<b>18,269,089</b>
<b>Total assets . . . . .</b>	<b>1,923,957</b>	<b>5,000,000</b>	<b>6,147,063</b>	<b>2,625,454</b>	<b>2,487,408</b>	<b>2,132,766</b>	<b>20,316,648</b>
<b>LIABILITIES:</b>							
<b>Current:</b>							
Accounts payable . . . . .	2,018	-	-	-	-	-	2,018
Accrued salaries and benefits payable . . . . .	14,175	-	-	-	-	-	14,175
Accrued service fees payable . . . . .	2,893	-	-	-	-	-	2,893
<b>Payable from restricted assets:</b>							
State loan payable - bond fund reserve . . . . .	-	30,000	-	-	-	-	30,000
<b>Other financing projects transactions:</b>							
State grant payable - Klingbeil . . . . .	-	-	123,602	-	-	-	123,602
<b>Bond fund transactions:</b>							
Bond costs payable . . . . .	-	-	-	18,495	1,394	-	19,889
Due to developer . . . . .	-	-	-	5	-	-	5
Bond issue costs payable . . . . .	-	-	-	-	-	40,016	40,016
Accrued interest payable . . . . .	-	-	-	20,204	20,236	2,750	43,190
Revenue bonds - due in following year . . . . .	-	-	-	55,000	-	-	55,000
<b>Total current liabilities . . . . .</b>	<b>19,086</b>	<b>30,000</b>	<b>123,602</b>	<b>93,704</b>	<b>21,630</b>	<b>42,766</b>	<b>330,788</b>
<b>Noncurrent:</b>							
<b>Payable from restricted assets:</b>							
State loan payable - bond fund reserve . . . . .	-	1,953,500	-	-	-	-	1,953,500
<b>Other financing projects transactions:</b>							
State loan payable - Rickenbacker project . . . . .	-	-	5,437,761	-	-	-	5,437,761
<b>Bond fund transactions:</b>							
Revenue bonds . . . . .	-	-	-	2,531,750	2,465,778	2,090,000	7,087,528
<b>Total noncurrent liabilities . . . . .</b>	<b>-</b>	<b>1,953,500</b>	<b>5,437,761</b>	<b>2,531,750</b>	<b>2,465,778</b>	<b>2,090,000</b>	<b>14,478,789</b>
<b>Total liabilities . . . . .</b>	<b>19,086</b>	<b>1,983,500</b>	<b>5,561,363</b>	<b>2,625,454</b>	<b>2,487,408</b>	<b>2,132,766</b>	<b>14,809,577</b>
<b>NET POSITION:</b>							
Restricted . . . . .	-	3,016,500	585,700	-	-	-	3,602,200
Unrestricted . . . . .	1,904,871	-	-	-	-	-	1,904,871
<b>Total net position . . . . .</b>	<b>\$ 1,904,871</b>	<b>\$ 3,016,500</b>	<b>\$ 585,700</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,507,071</b>

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

	Operating Funds		Other Financing Projects	Central Ohio Bond Fund			Total
	Unrestricted	Restricted		Harrison West Project	One Neighborhood Project-Phase 1	One Neighborhood Project-Pahse 2	
<b>Operating revenues:</b>							
Conduit financing and other fees . . . . .	\$ 442,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 442,203
Central Ohio bond fund fees . . . . .	44,250	-	-	-	-	-	44,250
City of Columbus operating grant. . . . .	150,000	-	-	-	-	-	150,000
Franklin County operating grant. . . . .	150,000	-	-	-	-	-	150,000
<b>Total operating revenues . . . . .</b>	<b>786,453</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>786,453</b>
<b>Operating expenses:</b>							
Salaries and benefits . . . . .	259,661	-	-	-	-	-	259,661
Professional services . . . . .	45,998	-	-	-	-	-	45,998
Miscellaneous . . . . .	60,729	-	-	-	-	-	60,729
<b>Total operating expenses . . . . .</b>	<b>366,388</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>366,388</b>
<b>Operating income. . . . .</b>	<b>420,065</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>420,065</b>
<b>Nonoperating revenues (expenses):</b>							
Interest revenue . . . . .	34,985	21,500	-	-	-	-	56,485
Increase in fair value of investments	58,702	-	-	-	-	-	58,702
<b>Other financing projects transactions:</b>							
Interest revenue . . . . .	-	-	138	-	-	-	138
State grant proceeds - Klingbeil . . . . .	-	-	1,365,903	-	-	-	1,365,903
State grant pass through payments - Klingbeil . . . . .	-	-	(1,365,903)	-	-	-	(1,365,903)
Tax increment financing revenues . . . . .	-	-	308,024	-	-	-	308,024
Fiscal charges . . . . .	-	-	(163)	-	-	-	(163)
Pass through payments to Pizzuti . . . . .	-	-	(77,006)	-	-	-	(77,006)
<b>Bond fund transactions:</b>							
<b>Tax increment/community authority</b>							
financing revenues . . . . .	-	-	-	453,422	169,687	1,333,006	1,956,115
Bond issue costs . . . . .	-	-	-	-	-	(170,416)	(170,416)
Pass through bond proceeds . . . . .	-	-	-	-	-	(1,159,840)	(1,159,840)
Interest expense on bonds . . . . .	-	-	-	(164,435)	(158,662)	(2,750)	(325,847)
Fiscal charges . . . . .	-	-	-	(14,905)	(11,025)	-	(25,930)
Developer costs . . . . .	-	-	-	(274,082)	-	-	(274,082)
<b>Total nonoperating revenues (expenses) . . . . .</b>	<b>93,687</b>	<b>21,500</b>	<b>230,993</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>346,180</b>
<b>Change in net assets . . . . .</b>	<b>513,752</b>	<b>21,500</b>	<b>230,993</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>766,245</b>
<b>Net position, January 1 (restated). . . . .</b>	<b>1,391,119</b>	<b>2,995,000</b>	<b>354,707</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,740,826</b>
<b>Net position, December 31. . . . .</b>	<b>\$ 1,904,871</b>	<b>\$ 3,016,500</b>	<b>\$ 585,700</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,507,071</b>

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY  
FRANKLIN COUNTY, OHIO**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Central Ohio Bond Fund						Total
	Operating Funds		Other Financing Projects	Harrison West Project	One Neighborhood Project-Phase 1	One Neighborhood Project-Phase 2	
	Unrestricted	Restricted					
<b>Cash flows from operating activities:</b>							
Cash received from conduit financing and other fees . . . . .	\$ 442,203	\$ -	\$ -	\$ -	\$ -	\$ -	442,203
Cash received from Central Ohio bond fund fees . . . . .	44,250	-	-	-	-	-	44,250
Cash received from operating grants . . . . .	300,000	-	-	-	-	-	300,000
Cash payments for salaries and benefits . . . . .	(264,782)	-	-	-	-	-	(264,782)
Cash payments for professional services . . . . .	(45,980)	-	-	-	-	-	(45,980)
Cash payments for miscellaneous operating expenses . . . . .	(62,362)	-	-	-	-	-	(62,362)
<b>Net cash provided by operating activities . . . . .</b>	<b>413,329</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>413,329</b>
<b>Cash flows from noncapital financing activities:</b>							
Payment on State loan - bond fund reserve . . . . .	-	(21,500)	-	-	-	-	(21,500)
<b>Other financing projects transactions:</b>							
State loan proceeds - Pizzuti . . . . .	-	-	926,973	-	-	-	926,973
State loan pass through payments - Pizzuti . . . . .	-	-	(926,973)	-	-	-	(926,973)
State grant proceeds - Klingbeil . . . . .	-	-	1,438,020	-	-	-	1,438,020
State grant pass through payments - Klingbeil . . . . .	-	-	(1,438,020)	-	-	-	(1,438,020)
Tax increment financing payments received . . . . .	-	-	308,024	-	-	-	308,024
Fiscal charges paid . . . . .	-	-	(163)	-	-	-	(163)
Pass through payments to Pizzuti . . . . .	-	-	(77,006)	-	-	-	(77,006)
<b>Bond fund transactions:</b>							
Tax increment/community authority financing payments received . . . . .	-	-	-	592,774	170,276	-	763,050
Proceeds of revenue bonds . . . . .	-	-	-	-	-	2,090,000	2,090,000
Bond issue costs paid . . . . .	-	-	-	-	-	(192,612)	(192,612)
Pass through bond proceeds payment . . . . .	-	-	-	-	-	(1,159,840)	(1,159,840)
Principal paid on bonds . . . . .	-	-	-	(120,000)	-	-	(120,000)
Interest paid on bonds . . . . .	-	-	-	(162,600)	(159,250)	-	(321,850)
Fiscal charges paid . . . . .	-	-	-	(14,905)	(11,025)	-	(25,930)
Developer costs paid . . . . .	-	-	-	(459,185)	-	-	(459,185)
<b>Net cash provided by (used in) noncapital financing activities . . . . .</b>	<b>-</b>	<b>(21,500)</b>	<b>230,855</b>	<b>(163,916)</b>	<b>1</b>	<b>737,548</b>	<b>782,988</b>
<b>Cash flows from investing activities:</b>							
Purchase of investments . . . . .	-	(3,964,000)	-	-	-	-	(3,964,000)
Sale of investments . . . . .	490,000	1,733,000	-	-	-	-	2,223,000
Interest received . . . . .	29,723	21,500	-	-	-	-	51,223
<b>Other financing projects transactions:</b>							
Interest received . . . . .	-	-	138	-	-	-	138
<b>Bond fund transactions:</b>							
Interest received restricted for bond costs . . . . .	-	-	-	563	415	-	978
<b>Net cash provided by (used in) investing activities . . . . .</b>	<b>519,723</b>	<b>(2,209,500)</b>	<b>138</b>	<b>563</b>	<b>415</b>	<b>-</b>	<b>(1,688,661)</b>
<b>Net increase (decrease) in cash and cash equivalents . . . . .</b>	<b>933,052</b>	<b>(2,231,000)</b>	<b>230,993</b>	<b>(163,353)</b>	<b>416</b>	<b>737,548</b>	<b>(492,344)</b>
Cash and cash equivalents, January 1 . . . . .	919,906	3,267,000	354,707	818,596	504,125	-	5,864,334
Cash and cash equivalents, December 31 . . . . .	<u>\$ 1,852,958</u>	<u>\$ 1,036,000</u>	<u>\$ 585,700</u>	<u>\$ 655,243</u>	<u>\$ 504,541</u>	<u>\$ 737,548</u>	<u>\$ 5,371,990</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>							
Operating income . . . . .	\$ 420,065	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 420,065
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>							
<b>Changes in assets and liabilities:</b>							
Increase in prepayments . . . . .	(851)	-	-	-	-	-	(851)
(Decrease) in accounts payable . . . . .	(733)	-	-	-	-	-	(733)
(Decrease) in accrued salaries and benefits payable . . . . .	(5,121)	-	-	-	-	-	(5,121)
(Decrease) in accrued service fees payable . . . . .	(31)	-	-	-	-	-	(31)
<b>Net cash provided by operating activities . . . . .</b>	<b>\$ 413,329</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 413,329</b>

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

Independent Auditor's Report

To the Board of Directors  
Columbus-Franklin County Finance Authority

We have audited the basic financial statements of Columbus-Franklin County Finance Authority as of and for the year ended December 31, 2012 and have issued our report thereon dated March 31, 2013, which contained an unmodified opinion on those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Columbus-Franklin County Finance Authority is responsible for establishing and maintaining an effective internal control over financial reporting. In planning and performing our audit, we considered Columbus-Franklin County Finance Authority's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting (2012-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors  
Columbus-Franklin County Finance Authority

### **Compliance and Other Matters**

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

Columbus-Franklin County Finance Authority's written response to the finding identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the board of directors and management of Columbus-Franklin County Finance Authority and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

March 31, 2013

# Columbus-Franklin County Finance Authority

## Schedule of Findings and Responses Year Ended December 31, 2012

Reference Number	Finding
2012-1	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - The Governmental Accounting Standards Board (GASB) requires that revenue and expenses be recorded in the period earned and not when the invoice was paid.</p> <p><b>Condition</b> - Columbus-Franklin County Finance Authority (Authority)'s process needs to be enhanced for identifying the proper period for recording the revenue and corresponding expenses related to projects. Further, the Authority needs a process implemented to establish year-end closeouts for large clients.</p> <p><b>Context</b> - The Authority recorded an entry for expenses and revenues to properly adjust for the invoices received subsequent to year end that impacted current year. Additionally, a contractor submitted an invoice 31 days after year end which came in after the financial statements had been prepared. These audit adjustments did not impact the net position of the Authority.</p> <p><b>Cause</b> - The Authority did not properly identify and record revenue and expenses in the appropriate period.</p> <p><b>Effect</b> - As the contractors provided information post-year end, the Authority overstated current year revenue and expenses. There was no impact on the Authority's net position.</p> <p><b>Recommendation</b> - We recommend that the Authority review all significant contracts at year end and increase communication with contractors to identify revenue and expenses earned and incurred during the period.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The Authority takes very seriously any issues raised regarding its safeguards to ensure there is fiscal integrity to all the funds we manage and control. As stated above, the items noted did not impact our net position. The Authority does have processes in place to ensure revenues and expenses are recorded in the proper year. Nevertheless, we can and will strengthen our processes by adding a separate review of accounting transactions that span fiscal years to ensure that those items are readily apparent for future financial statement preparation. In addition, we will reach out to those clients who have significant financial projects with us and encourage them to get their draw requests in as quickly as possible. Overall, our controls are very strong and we just need to address these two issues.</p>



# Dave Yost • Auditor of State

**COLUMBUS FRANKLIN COUNTY FINANCE AUTHORITY**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 28, 2013**