

**COLUMBUS-FRANKLIN COUNTY
FINANCE AUTHORITY**

Basic Financial Statements

Year Ended December 31, 2007

With

Independent Auditors' Report



Mary Taylor, CPA

Auditor of State

Board of Directors
Columbus Franklin County Finance Authority
37 North High Street
Columbus, Ohio 43215

We have reviewed the *Independent Auditors' Report* of the Columbus Franklin County Finance Authority, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2007 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 9, 2008

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COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Columbus-Franklin County Finance Authority:

We have audited the accompanying statement of net assets of Columbus-Franklin County Finance Authority, (the "Authority") as of December 31, 2007 and the related statements of revenues, expenses, and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2007, and its changes in financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 effectiveness of 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.

The management's discussion and analysis on pages 3 through 7 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
March 11, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

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, 2007. 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 2007 are as follows:

- In total, net assets were \$3,115,704 at December 31, 2007. This represents an increase of \$1,577,201 or 102.52% increase from December 31, 2006.
- The Authority had operating revenues of \$330,800, operating expenses of \$240,483, non-operating revenues of \$1,492,454 and non-operating expenses of \$5,570 for fiscal year 2007. Total change in net assets for the fiscal year was an increase of \$1,577,201.

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 Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* 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 Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, 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 assets* and changes in those assets. This change in net assets 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 8 and 9 of this report.

The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 10 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 11-22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

The table below provides a summary of the Authority's net assets at December 31, 2007 and 2006.

| | Net Assets | |
|----------------------------------|---------------------|---------------------|
| | <u>2007</u> | <u>2006</u> |
| <u>Assets</u> | | |
| Current assets | \$ 610,004 | \$ 291,066 |
| Noncurrent assets: | | |
| Restricted | 8,003,000 | 1,250,000 |
| Unrestricted | <u>33,980</u> | <u>-</u> |
| Total assets | <u>8,646,984</u> | <u>1,541,066</u> |
| <u>Liabilities</u> | | |
| Current liabilities: | | |
| Payable from restricted assets | 125,000 | - |
| Payable from unrestricted assets | 28,280 | 2,563 |
| Noncurrent liabilities: | | |
| Payable from restricted assets | <u>5,378,000</u> | <u>-</u> |
| Total liabilities | <u>5,531,280</u> | <u>2,563</u> |
| <u>Net Assets</u> | | |
| Restricted | 2,500,000 | 1,250,000 |
| Unrestricted | <u>615,704</u> | <u>288,503</u> |
| Total net assets | <u>\$ 3,115,704</u> | <u>\$ 1,538,503</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the Authority's net assets totaled \$3,115,704. Non-current assets consisted of cash and investments of the Central Ohio Bond Fund (COBF) reserve, cash held by the Authority's fiscal agent related to the Harrison West Project's bond issuance, and pledged TIF receivables from the City of Columbus to support the Harrison West Project bond issue that was 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 from the State of Ohio Department of Development (ODOD). The principal amount and service fees due on this loan in 2008 is \$125,000 and \$6,250, respectively, which will be paid out of general operating funds of the Authority. Non-current liabilities include the long-term portion of the ODOD loan plus the balance of the revenue bonds issued to finance the Harrison West Project through the COBF program. The bond is payable from restricted pledged TIF receivables from the City of Columbus securing repayment.

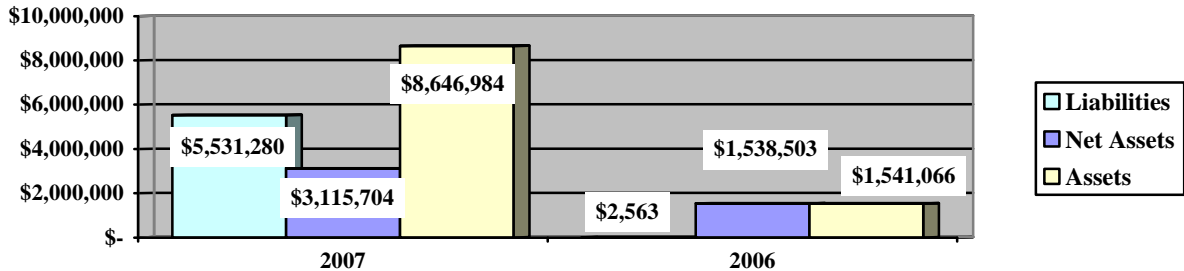
A portion of the Authority's net assets, \$2,500,000, represents resources that are subject to external restriction on how they may be used. The restricted net assets consist of City of Columbus and Franklin County grants which were used to establish the COBF reserve account.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

The remaining balance of unrestricted net assets is \$615,704. The chart below illustrates the Authority's assets, liabilities and net assets at December 31, 2007 and 2006:

Governmental Activities



The table below shows the changes in net assets for fiscal year 2007 and the period ending December 31, 2006.

Change in Net Assets

| | 2007 | 2006 | Increase (Decrease) |
|---|---------------------|---------------------|------------------------|
| <u>Operating Revenues:</u> | | | |
| Conduit financing and other fees | \$ 15,800 | \$ 3,000 | \$ 12,800 |
| Central Ohio bond fund fees | 15,000 | - | 15,000 |
| City of Columbus operating grant | 150,000 | 150,000 | - |
| Franklin County operating grant | 150,000 | 150,000 | - |
| Total operating revenue | <u>330,800</u> | <u>303,000</u> | <u>27,800</u> |
| <u>Operating Expenses:</u> | | | |
| Salaries and benefits | 158,098 | - | 158,098 |
| Professional services | 28,215 | 9,377 | 18,838 |
| Miscellaneous operating expenses | 54,170 | 5,232 | 48,938 |
| Total operating expenses | <u>240,483</u> | <u>14,609</u> | <u>225,874</u> |
| Operating income | <u>90,317</u> | <u>288,391</u> | <u>(198,074)</u> |
| <u>Nonoperating Revenues (Expenses):</u> | | | |
| Franklin County bond reserve grant | - | 1,250,000 | (1,250,000) |
| City of Columbus bond reserve grant | 1,250,000 | - | 1,250,000 |
| Interest expense | (5,570) | - | (5,570) |
| Interest income | 242,454 | 112 | 242,342 |
| Total nonoperating revenues (expenses) | <u>1,486,884</u> | <u>1,250,112</u> | <u>236,772</u> |
| Change in net assets | 1,577,201 | 1,538,503 | 38,698 |
| Net assets at beginning of year | <u>1,538,503</u> | <u>-</u> | |
| Net assets at end of year | <u>\$ 3,115,704</u> | <u>\$ 1,538,503</u> | |

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

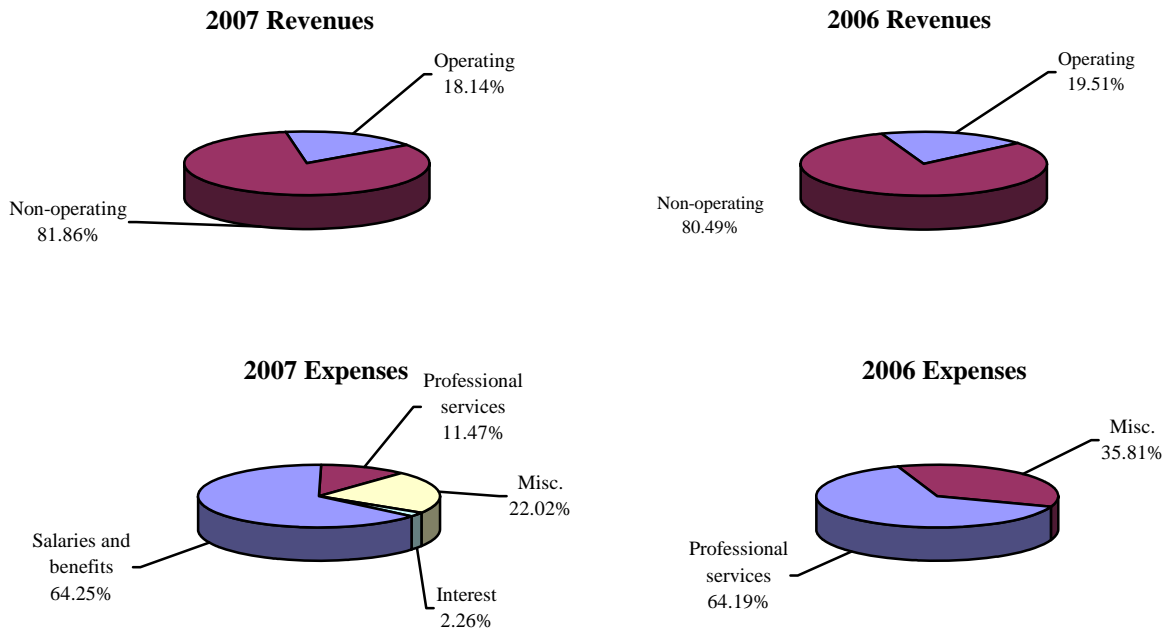
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

Operating revenues increased \$27,800 or 9.17%. This increase is due to \$15,000 in COBF fees related to the Harrison West Project coupled with increased conduit financing fees from increased activity in 2007.

Operating expenses increased \$225,874 mainly due to the Authority hiring employees during fiscal year 2007. The Authority began actively performing operations in 2007 upon the hiring of an Executive Director.

Non-operating revenues increased \$242,342. This increase is due to increased interest earnings on investments of the COBF reserve account. The interest earned on COBF cash equivalents and investments may be used by the Authority for general operations. Non-operating expenses increased due accrued interest payable on bond issued through the COBF program.

The charts below illustrate the revenues and expenses for the Authority during fiscal year 2007 and the period ending December 31, 2006.



Capital Assets

The Authority did not possess any capital assets at December 31, 2007.

Debt Administration

The Authority obtained a \$2,500,000 ODOD loan in 2007. The loan is interest free with a term of 20 years. A principal and servicing payment of \$131,250 is due on June 1, 2008. Payments of principal and servicing fees will be made from the general 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 7 for more detail on the ODOD loan.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

The Authority issued \$3,080,000 in revenue bonds through the COBF program to finance the Harrison West Project. The repayment is secured by pledged TIF revenues from the City of Columbus which will be collected and distributed to the trustee for repayment of the bonds. See Note 5 for more detail on the COBF program.

Current Financial Related Activities

The Authority is a nimble organization that offers creative and alternative financing options to help businesses and communities prosper. The Authority has the ability to finance projects through its Central Ohio Bond Fund program or through a Conduit Financing program. During 2007, the Authority financed one project through the COBF program and two through the conduit financing program. The Authority plans to increase the number of projects financed through both programs in 2008. Fees generated by financing the projects are necessary to support the operations of the Authority.

Currently, the Authority is reliant upon operating grants from the City of Columbus and from Franklin County to support its operations. As more financing arrangements are closed, the fees generated will support the Authority's operations. It is anticipated that by the end of five years, the Authority will be self-sustaining through fees generated on financing projects and interest earned on investments.

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, Executive Director, Columbus-Franklin County Finance Authority, 37 North High Street, Columbus, Ohio, 43215.

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

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

| | |
|--|--------------|
| ASSETS: | |
| Current: | |
| Cash and cash equivalents | \$ 572,481 |
| Accounts receivable | 125 |
| Accrued interest receivable | 31,850 |
| Prepayments | 5,548 |
| Total current assets | 610,004 |
| Noncurrent: | |
| Unamortized loan closing costs | 33,980 |
| Restricted assets: | |
| Cash and cash equivalents | 500,000 |
| Investments | 4,500,000 |
| Bond fund transactions: | |
| Cash with fiscal agent - Harrison West Project | 405,827 |
| Pledged receivable from City of Columbus - Harrison West Project | 2,499,199 |
| Unamortized bond issue costs - Harrison West Project | 97,974 |
| Total restricted assets | 8,003,000 |
| Total noncurrent assets | 8,036,980 |
| Total assets | 8,646,984 |
| LIABILITIES: | |
| Current: | |
| Accounts payable | 6,486 |
| Accrued salaries and benefits payable | 12,578 |
| Accrued service fees payable | 3,646 |
| Accrued interest payable | 5,570 |
| Payable from restricted assets: | |
| State loan payable - current portion | 125,000 |
| Total current liabilities | 153,280 |
| Noncurrent: | |
| Payable from restricted assets: | |
| State loan payable | 2,375,000 |
| Bond fund transaction: | |
| Revenue bonds - Harrison West Project | 3,003,000 |
| Total noncurrent liabilities | 5,378,000 |
| Total liabilities | 5,531,280 |
| NET ASSETS: | |
| Restricted | 2,500,000 |
| Unrestricted | 615,704 |
| Total net assets | \$ 3,115,704 |

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 ASSETS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

| | |
|--|---------------------|
| Operating revenues: | |
| Conduit financing and other fees | \$ 15,800 |
| Central Ohio bond fund fees | 15,000 |
| City of Columbus operating grant. | 150,000 |
| Franklin County operating grant. | <u>150,000</u> |
| Total operating revenues | <u>330,800</u> |
| Operating expenses: | |
| Salaries and benefits | 158,098 |
| Professional services | 28,215 |
| Miscellaneous operating expenses | <u>54,170</u> |
| Total operating expenses | <u>240,483</u> |
| Operating income. | <u>90,317</u> |
| Nonoperating revenues (expenses): | |
| City of Columbus bond reserve grant | 1,250,000 |
| Interest expense | (5,570) |
| Interest revenue. | <u>242,454</u> |
| Total nonoperating revenues (expenses) | <u>1,486,884</u> |
| Change in net assets | 1,577,201 |
| Net assets, January 1 | <u>1,538,503</u> |
| Net assets, December 31. | <u>\$ 3,115,704</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, 2007

| | |
|--|---------------------|
| Cash flows from operating activities: | |
| Cash received from conduit financing and other fees. | \$ 15,800 |
| Cash received from Central Ohio bond fund fees. | 15,000 |
| Cash received from operating grants. | 300,000 |
| Cash payments for salaries and benefits | (145,520) |
| Cash payments for professional services | (23,986) |
| Cash payments for miscellaneous operating expenses | <u>(50,993)</u> |
| Net cash provided by operating activities. | <u>110,301</u> |
| Cash flows from noncapital financing activities: | |
| State loan proceeds | 2,500,000 |
| Payment of State loan closing costs | (35,000) |
| City of Columbus bond reserve grant | <u>1,250,000</u> |
| Net cash provided by noncapital financing activities | <u>3,715,000</u> |
| Cash flows from investing activities: | |
| Purchase of investments | (4,500,000) |
| Interest received | <u>210,604</u> |
| Net cash used in investing activities. | <u>(4,289,396)</u> |
| Net decrease in cash and cash equivalents | (464,095) |
| Cash and cash equivalents, January 1. | <u>1,536,576</u> |
| Cash and cash equivalents, December 31. | <u>\$ 1,072,481</u> |
| Reconciliation of operating income to | |
| net cash provided by operating activities: | |
| Operating income | \$ 90,317 |
| Adjustments to reconcile operating income | |
| to net cash provided by operating activities: | |
| Amortization of loan closing costs | 1,020 |
| Changes in assets and liabilities: | |
| (Increase) in accounts receivable. | (125) |
| (Increase) in prepayments. | (1,058) |
| Increase in accounts payable. | 3,923 |
| Increase in accrued salaries and benefits payable. | 12,578 |
| Increase in accrued service fees payable. | <u>3,646</u> |
| Net cash provided by operating activities. | <u>\$ 110,301</u> |

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

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 job 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 (4) are appointed by the Mayor of the City of Columbus, with advice and consent of the Columbus City Council, four (4) are appointed by the Board of County Commissioners of the County of Franklin, Ohio, and one (1) 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).

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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Authority also has the option to apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Authority has elected not to apply these FASB Statements and Interpretations.

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 organization 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 FISCAL YEAR ENDED DECEMBER 31, 2007**

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 assets, a statement of revenue, expenses and changes in net assets, 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 that 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 assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information 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 loan processing 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 consist of a grant from the City of Columbus to finance the COBF reserve account and interest earnings. Nonoperating expenses include interest expense related to the bond issued through the COBF.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

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

E. Cash and Investments

During fiscal year 2007, investments were limited to federal agency securities, certificates of deposit and U.S. government money market accounts. Except for nonparticipating investment contracts, investments are reported at fair market value which is based on quoted market prices. Nonparticipating investment contracts, such as certificates of deposit, are reported at cost.

Cash and 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, grants contributors, or laws or regulations of other governments. The unrestricted cash and cash equivalents reported on the statement of net assets are used for the general operations of the Authority.

Cash with fiscal agent represents monies held a trustee in accordance with the bond indenture for the bonds issued through the Authority's COBF during fiscal year 2007.

For purposes of the statement of cash flows and for reporting on the statement of net assets, 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 held by the Authority's fiscal agent is not reported on the statement of cash flows as the monies are held in trust accounts related to bond indentures.

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

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets have 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 and a \$1,250,000 grant from Franklin County to establish the COBF reserve.

G. 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 assets 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 FISCAL YEAR ENDED DECEMBER 31, 2007

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

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.

Grants to finance the COBF are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. The Authority has recorded non-operating grant revenue in the amount of \$1,250,000 for monies received from the City of Columbus related to establishment and funding of the COBF reserve account.

J. Unamortized Loan Closing Costs, Bond Issue Costs and Bond Discounts

In the financial statements, closing costs related on the State of Ohio Department of Development loan (see Note 7), bond issue costs related to bonds issued through the COBF program and bond discounts related to bonds issued through the COBF program, are deferred and amortized over the term of the loan/bond using the straight line method, which approximates the effective interest method. Unamortized loan closing costs and unamortized bond issue costs are reported on separate line items on the financial statements. Unamortized bond discounts are presented as a decrease of the face amount of the bond payable (see Note 5).

K. Capital Assets

The Authority maintains a capitalization threshold of \$2,500. The Authority does not possess capital assets exceeding this capitalization threshold; therefore, no capital assets are reported on the balance sheet.

L. Compensated Absences

Authority employees are not entitled to a specific period of sick leave and are not permitted to carry unused vacation over into the next fiscal year. No liability exists for compensated absences at fiscal year end.

M. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

NOTE 3 – DEPOSITS AND INVESTMENTS

State statute and the Authority’s investment policy allow monies to be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer’s investment pool (STAR Ohio);

Protection of the Authority’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. In accordance with Ohio Revised Code, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. The Authority’s investment policy also prohibits the purchase of bankers acceptances, commercial paper and investments in local government investment pools, except STAR Ohio; provided, that STAR Ohio maintains the highest letter or numerical rating provided by at least one nationally recognized rating service. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Fiscal Agent

At December 31, 2006, the Authority had \$405,827 held by a fiscal agent as trustee in accordance with the bond indenture for the Harrison West Project financed through the COBF Program. The monies held by the fiscal agent are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. The amounts held by the fiscal agent are not included in “Deposits with Financial Institutions” below.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS – (Continued)

B. Deposits with Financial Institutions

At December 31, 2007, the carrying amount of the Authority’s deposits (both restricted and unrestricted) was \$4,427,509. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2007, \$4,233,023 of the Authority’s bank balance of \$4,433,023 was exposed to custodial risk as discussed below, while \$200,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Authority’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

C. Investments

As of December 31, 2007, the Authority had the following investments and maturities:

| <u>Investment type</u> | <u>Investment Maturities</u> | | |
|-----------------------------------|------------------------------|-----------------------------|-----------------------------------|
| | <u>Fair Value</u> | <u>6 months or less</u> | <u>Greater than 24 months</u> |
| Federal Farm Credit Bank security | \$ 1,037,070 | \$ - | \$ 1,037,070 |
| U.S. government money markets | <u>107,902</u> | <u>107,902</u> | <u>-</u> |
| | <u>\$ 1,144,972</u> | <u>\$ 107,902</u> | <u>\$ 1,037,070</u> |

The weighted average length to maturity of investment is 3.01 years.

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The Authority’s investment policy does not further limit this requirement. 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: The Authority’s Federal Farm Credit Bank security investment carries a rating of AAA by Standard & Poor’s and Aaa by Moody’s.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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 Federal Farm Credit Bank security is exposed to custodial credit risk in that it is uninsured, unregistered and held by the counterparty’s trust department or agent but not in the Authority’s name. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

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, 2007:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|-----------------------------------|---------------------|-------------------|
| Federal Farm Credit Bank security | \$ 1,037,070 | 90.58 |
| U.S. government money markets | <u>107,902</u> | <u>9.42</u> |
| | <u>\$ 1,144,972</u> | <u>100.00</u> |

D. Reconciliation of Cash and Investment to the Statement of Net Assets

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 assets as of December 31, 2007:

| | |
|--|---------------------|
| <u>Cash and Investments per footnote</u> | |
| Carrying amount of deposits | \$ 4,427,509 |
| Investments | 1,144,972 |
| Cash with fiscal agent | <u>405,827</u> |
| Total | <u>\$ 5,978,308</u> |
| <u>Cash and investments on Statement of Net Assets</u> | |
| Cash and cash equivalents - unrestricted | \$ 572,481 |
| Cash and cash equivalents - restricted | 500,000 |
| Investments - restricted | 4,500,000 |
| Cash with fiscal agent - restricted | <u>405,827</u> |
| Total | <u>\$ 5,978,308</u> |

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. Settled claims have not exceeded commercial coverage in any of the past two years. There has been no reduction in coverage from the prior year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

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 the 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 7). The grant revenues and loan proceeds were deposited into the COBF reserve account and are reported as restricted assets on the statement of net assets. Interest earned on the cash equivalents and investments purchased by the grant proceeds are 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 to be 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. The amount held in the COBF reserve account at December 31, 2007 is \$5,159,446 of which \$5,000,000 is restricted in use and reported as a restricted asset on the statement of net assets.

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 property values and real estate taxes from the TIF District. Principal and interest payments are due May 15 and November 15 of each year. The bonds bear and interest rate of 6.00% and mature May 15, 2035.

The following is a schedule of the bond activity in fiscal year 2007:

| | Balance 12/31/06 | Issued | Retired | Balance 12/31/07 |
|------------------------|---------------------|---------------------|-------------|---------------------|
| Harrison West Project: | | | | |
| Revenue Bonds | \$ - | \$ 3,080,000 | \$ - | \$ 3,080,000 |
| Unamortized discount | - | (77,000) | - | (77,000) |
| Total | <u>\$ -</u> | <u>\$ 3,003,000</u> | <u>\$ -</u> | <u>\$ 3,003,000</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, 2007 was \$405,827. This amount is reported as restricted cash with fiscal agent on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

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

The following is a schedule of the future debt service requirements to maturity for the Harrison West revenue bonds:

| Harrison West Revenue Bonds | | | |
|-----------------------------|---------------------|---------------------|---------------------|
| Year Ending | Principal | Interest | Total |
| 2008 | \$ - | \$ 166,833 | \$ 166,833 |
| 2009 | - | 184,800 | 184,800 |
| 2010 | 45,000 | 183,450 | 228,450 |
| 2011 | 45,000 | 180,750 | 225,750 |
| 2012 | 50,000 | 177,900 | 227,900 |
| 2013-2017 | 305,000 | 838,650 | 1,143,650 |
| 2018-2022 | 425,000 | 729,750 | 1,154,750 |
| 2023-2027 | 570,000 | 582,000 | 1,152,000 |
| 2028-2032 | 785,000 | 380,250 | 1,165,250 |
| 2033-2035 | 855,000 | 93,450 | 948,450 |
| Total | <u>\$ 3,080,000</u> | <u>\$ 3,517,833</u> | <u>\$ 6,597,833</u> |

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 and related accrued interest payable are reported as liabilities on the statement of net assets. These liabilities are equally offset by a pledged receivable from the City of Columbus which is reported as a restricted asset on the statement of net assets.

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 by the Authority at December 31, 2007 is \$14,100,000.

NOTE 7 – STATE OF OHIO DEPARTMENT OF DEVELOPMENT LOAN

On June 1, 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 commencing June 1, 2008. Repayment of the loan will be made from general operating activity of the Authority.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

NOTE 7 – STATE OF OHIO DEPARTMENT OF DEVELOPMENT LOAN - (Continued)

The following represents the future debt service requirements to retire the loan payable:

ODOD Loan Payable

| Year Ending | Principal | Service Fee | Total Repayment |
|----------------|---------------------|------------------|---------------------|
| 2008 | \$ 125,000 | \$ 6,250 | \$ 131,250 |
| 2009 | 125,000 | 5,937 | 130,937 |
| 2010 | 125,000 | 5,625 | 130,625 |
| 2011 | 125,000 | 5,313 | 130,313 |
| 2012 | 125,000 | 5,000 | 130,000 |
| 2013-2017 | 625,000 | 20,313 | 645,313 |
| 2018-2022 | 625,000 | 12,500 | 637,500 |
| 2023-2027 | 625,000 | 4,687 | 629,687 |
| Total | <u>\$ 2,500,000</u> | <u>\$ 65,625</u> | <u>\$ 2,565,625</u> |

The Authority will repay the ODOD loan using interest earnings on the investments purchased with the loan proceeds. In the event that interest earnings from the loan proceeds are not sufficient to make the scheduled payment, the Authority is only required to remit the interest earned as payment. The investments purchased with the ODOD loan proceeds are fixed rate investments whose scheduled interest payments as sufficient to cover repayment.

NOTE 8 – RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE

The Authority received 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 2007.

NOTE 9 – LETTER OF CREDIT

During 2007, 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, 2007.

NOTE 10 – OPERATING FUNDS

During 2007, the Authority’s Board of Directors approved the concept of using up to \$240,000 in operating funds for the following purposes:

1. To allow for payments of outstanding bonds in the event of a default, thus ensuring the Central Ohio Bond Fund’s BBB+ rating would not be impacted;
2. To begin to set aside funds for additional cash reserves for the Central Ohio Bond Fund eventually allowing the Authority to issue bonds beyond its current \$50 million capacity; and
3. To build reserves to ensure adequate operational funds for unexpected contingencies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

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 - PENSION PLAN

The Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 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 and 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, 277 E. Town St., Columbus, OH 43215-4642, by calling (614) 222-5601 or (800) 222-7377 or by visiting the OPERS website at www.opers.org.

For the year ended December 31, 2007, the members were required to contribute 9.5% of their annual covered salaries. The Authority's contribution rate for 2007 was 13.85%, of which 8.85% was used to fund pension obligations for the period January 1, 2007 through June 30, 2007 and 7.85% was used to fund pension obligations for the period July 1, 2007 through December 31, 2007. The Ohio Revised Code provides statutory authority for member and employer contributions. The Authority's contributions for pension obligations to OPERS for the year ended December 31, 2007 was \$9,916 equal to their required contribution for the year. The Authority had no employees prior to 2007.

NOTE 13 - POST-RETIREMENT BENEFIT PLAN

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85% of covered payroll of which 5.00% was used to fund postretirement health care for the period January 1, 2007 through June 30, 2007 and 6.00% was used to fund postretirement health care for the period July 1, 2007 through December 31, 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

NOTE 13 - POST-RETIREMENT BENEFIT PLAN - (Continued)

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus and an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. The Authority's actual employer contributions for 2007 which were used to fund post-employment benefits were \$6,531. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which will allow additional fund to be allocated to the health care plan.



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**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***

To the Board of Directors
Columbus-Franklin County Finance Authority:

We have audited the financial statements of Columbus-Franklin County Finance Authority (the "Authority") as of December 31, 2007 and for the year then ended and have issued our report thereon dated March 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*.

This report is intended solely for the information and use of the Board of Directors, management, and others within the entity, and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
March 11, 2008



Mary Taylor, CPA
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
APRIL 22, 2008**