

**COLUMBUS-FRANKLIN COUNTY
FINANCE AUTHORITY**

Basic Financial Statements

Period from May 11, 2006 to December 31, 2006

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 May 11, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The 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, 2006 and the related statements of revenues, expenses, and changes in net assets and of cash flows for the period from inception (May 11, 2006) to December 31, 2006. 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, 2006, and its changes in financial position and its cash flows thereof for the period from inception (May 11, 2006) to December 31, 2006 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 6 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 PERIOD MAY 11, 2006 THROUGH DECEMBER 31, 2006**

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 period May 11, 2006 through December 31, 2006. 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

The Authority began operations on May 11, 2006. Key financial highlights for the period May 11, 2006 through December 31, 2006 are as follows:

- In total, net assets were \$1,538,503 at December 31, 2006.
- The Authority had operating revenues of \$303,000, operating expenses of \$14,609 and non-operating revenues of \$1,250,112 for the period May 11, 2006 through December 31, 2006. Total change in net assets for the period was an increase of \$1,538,503.

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 2006?" 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 7 and 8 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 9 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 10-15 of this report.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE PERIOD MAY 11, 2006 THROUGH DECEMBER 31, 2006**

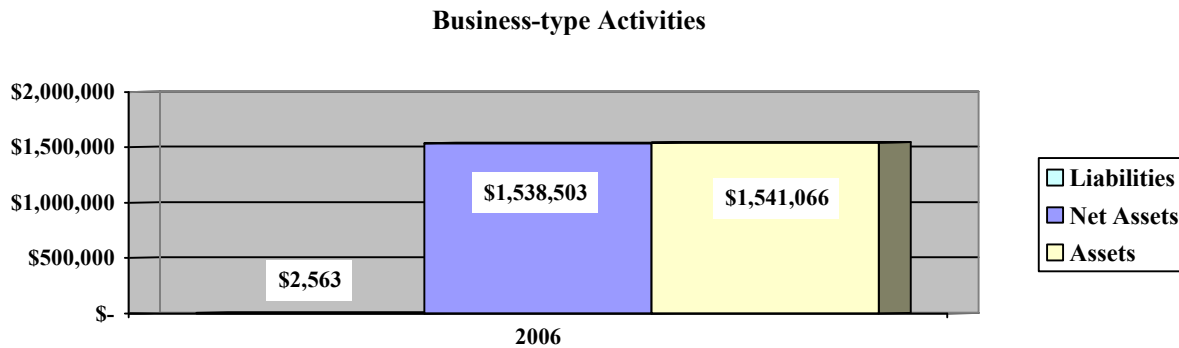
The table below provides a summary of the Authority’s net assets at December 31, 2006. Since this is the first year that the Authority has prepared financial statements, comparison with prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

Net Assets	
	<u>2006</u>
<u>Assets</u>	
Current assets	\$ 291,066
Noncurrent assets:	
Restricted	<u>1,250,000</u>
Total assets	<u>1,541,066</u>
<u>Liabilities</u>	
Current liabilities	<u>2,563</u>
Total liabilities	<u>2,563</u>
<u>Net Assets</u>	
Restricted	1,250,000
Unrestricted	<u>288,503</u>
Total net assets	<u>\$ 1,538,503</u>

Over time, net assets can serve as a useful indicator of a government’s financial position. At December 31, 2006, the Authority’s net assets totaled \$1,538,503.

A portion of the Authority’s net assets, \$1,250,000, represents resources that are subject to external restriction on how they may be used. The restricted net assets consist of a grant award from Franklin County which is restricted to be used to establish the Central Ohio Bond Fund (COBF) reserve. The remaining unrestricted balance is \$288,503.

The graph below illustrates the Authority’s assets, liabilities and net assets at December 31, 2006:



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD MAY 11, 2006 THROUGH DECEMBER 31, 2006

The table below shows the changes in net assets for the period May 11, 2006 through December 31, 2006. Since this is the first year that the Authority has prepared financial statements, comparison with prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	2006
<u>Operating Revenues:</u>	
Conduit financing and other fees	\$ 3,000
City of Columbus operating grant	150,000
Franklin County operating grant	150,000
Total operating revenue	303,000
<u>Operating Expenses:</u>	
Professional services	9,377
Miscellaneous operating expenses	5,232
Total operating expenses	14,609
Operating income	288,391
<u>Nonoperating Revenues:</u>	
Franklin County bond reserve grant	1,250,000
Interest income	112
Total nonoperating revenues	1,250,112
Change in net assets	1,538,503
Net assets, May 11	-
Net assets, December 31	\$ 1,538,503

Operating revenues of the Authority were \$303,000. The largest portions are \$150,000 grants from the City of Columbus and Franklin County. These grants will be received each year for five years. In future years, in accordance with the Formative Agreement, these grants awards will be reduced by 50% of the on-going administrative fees generated by consummated deals in the previous calendar year. The remaining \$3,000 was conduit financing fees for the Dancor project.

Operating expenses of the Authority totaled \$14,609. These consist primarily of legal fees associated with the establishment of the Authority. The Authority had no employees during the period May 11, 2006 through December 31, 2006.

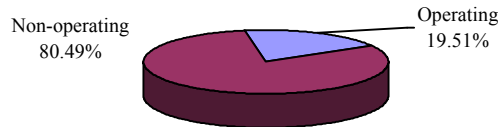
Non-operating revenues totaled \$1,250,112. The non-operating revenues consist of a \$1,250,000 grant from Franklin County to establish and fund the COBF reserve. The remaining non-operating revenue is interest earned on the Authority's general operating account.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY
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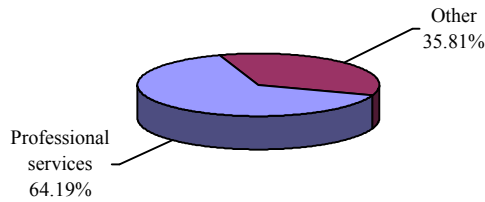
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD MAY 11, 2006 THROUGH DECEMBER 31, 2006**

The charts below illustrate the revenues and expenses for the period May 11, 2006 through December 31, 2006.

2006 Revenues



2006 Expenses



Capital Assets

The Authority did not possess any capital assets at December 31, 2006.

Debt Administration

The Authority did not have any long-term debt obligations at December 31, 2006.

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. The Authority anticipates financing one project through the COBF program and two through the conduit financing program in 2007. 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, 2006

ASSETS:	
Current:	
Cash and cash equivalents	\$ 286,576
Prepayments	4,490
Total current assets	<u>291,066</u>
Noncurrent:	
Restricted assets:	
Cash and cash equivalents	<u>1,250,000</u>
Total noncurrent assets	<u>1,250,000</u>
Total assets	<u>1,541,066</u>
LIABILITIES:	
Current:	
Accounts payable	<u>2,563</u>
Total liabilities	<u>2,563</u>
NET ASSETS:	
Restricted	1,250,000
Unrestricted	<u>288,503</u>
Total net assets	<u><u>\$ 1,538,503</u></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 REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE PERIOD MAY 11, 2006 THROUGH DECEMBER 31, 2006

Operating revenues:	
Conduit financing and other fees	\$ 3,000
City of Columbus operating grant.	150,000
Franklin County operating grant.	<u>150,000</u>
Total operating revenues	<u>303,000</u>
Operating expenses:	
Professional services	9,377
Miscellaneous	<u>5,232</u>
Total operating expenses	<u>14,609</u>
Operating income.	<u>288,391</u>
Nonoperating revenues:	
Franklin County bond reserve grant	1,250,000
Interest.	<u>112</u>
Total nonoperating revenues	<u>1,250,112</u>
Change in net assets	1,538,503
Net assets, May 11	<u>-</u>
Net assets, December 31.	<u>\$ 1,538,503</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 PERIOD MAY 11, 2006 THROUGH DECEMBER 31, 2006

Cash flows from operating activities:	
Cash received from conduit financing and other fees	\$ 3,000
Cash received from operating grants	300,000
Cash payments for professional services	(7,577)
Cash payments for miscellaneous operating expenses	<u>(8,959)</u>
Net cash provided by operating activities	<u>286,464</u>
Cash flows from noncapital financing activities:	
Franklin County bond reserve grant	<u>1,250,000</u>
Net cash provided by noncapital financing activities	<u>1,250,000</u>
Cash flows from investing activities:	
Interest received	<u>112</u>
Net cash provided by investing activities	<u>112</u>
Net increase in cash and cash equivalents	1,536,576
Cash and cash equivalents, May 11	<u>-</u>
Cash and cash equivalents, December 31	<u>\$ 1,536,576</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 288,391
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase) in prepayments	(4,490)
Increase in accounts payable	<u>2,563</u>
Net cash provided by operating activities	<u>\$ 286,464</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 PERIOD MAY 11, 2006 THROUGH DECEMBER 31, 2006

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 PERIOD MAY 11, 2006 THROUGH DECEMBER 31, 2006

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 non-operating 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 non-operating revenues and expenses. Non-operating revenues consist of a grant from Franklin County to finance the COBF reserve account and interest earnings.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD MAY 11, 2006 THROUGH DECEMBER 31, 2006

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

E. Cash and Investments

At December 31, 2006, all monies received by the Authority are deposited in a demand deposit account. The Authority had no investments at December 31, 2006.

Cash and cash equivalents to be used for the establishment of the COBF reserve are reported as restricted assets on the financial statements as 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.

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".

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 proceeds that are used in the COBF program. The Authority received a \$1,250,000 grant from Franklin County which was used to establish the COBF reserve. This amount is reported as restricted assets and restricted net assets on the statement of net assets.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD MAY 11, 2006 THROUGH DECEMBER 31, 2006

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

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 Franklin County related to establishment of the COBF reserve account.

J. 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 statement of net assets.

K. 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.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD MAY 11, 2006 THROUGH DECEMBER 31, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS – (Continued)

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. Deposits with Financial Institutions

At December 31, 2006, the carrying amount of the Authority's deposits (both restricted and unrestricted) was \$1,536,576. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, \$1,436,576 of the Authority's bank balance of \$1,536,576 was exposed to custodial risk as discussed below, while \$100,000 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.

B. Investments

The Authority had no investments at December 31, 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD MAY 11, 2006 THROUGH DECEMBER 31, 2006

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.

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 a \$1,250,000 grant from Franklin County. These funds are used to establish the COBF reserve account and are reported as restricted assets and restricted net assets on the accompanying statement of net assets.

As of December 31, 2006, the Authority has not financed any projects through the COBF program.

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, 2006 is \$1,200,000.

NOTE 7 – 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 the period May 11, 2006 through December 31, 2006.

NOTE 8 - CONTINGENCIES

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

NOTE 9 – SIGNIFICANT SUBSEQUENT EVENTS

On March 15, 2007, the Authority received a \$1,250,000 grant from the City of Columbus to fund the COBF reserve account.

On May 8, 2007, the Authority received \$2,500,000 loan from the State of Ohio Department of Development. The proceeds of this will be used to fund the COBF reserve account.

On December 19, 2007, the Authority issued \$3,080,000 in revenue bonds through the COBF. The bonds will be repaid through tax increment financing revenues.



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, 2006 and for the period from inception (May 11, 2006) to December 31, 2006, 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**