

**COLUMBUS REGIONAL ENERGY SPECIAL IMPROVEMENT DISTRICT
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2017-2016



Dave Yost • Auditor of State

**COLUMBUS REGIONAL ENERGY SPECIAL IMPROVEMENT DISTRICT
FRANKLIN COUNTY**

DECEMBER 31 2017 AND 2016

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Dave Yost • Auditor of State

Columbus Regional Energy Special Improvement District
Franklin County
350 E. First Avenue, Suite 120
Columbus, Ohio 43201

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Columbus Regional Energy Special Improvement District, Franklin County, Ohio (the District), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Columbus Regional Energy Special Improvement District, Franklin County as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, on our consideration of the District'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio.

October 5, 2018

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

The management discussion and analysis of the Columbus Regional Energy Special Improvement District, Inc. (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- During 2017, the District assisted with obtaining financing for four energy improvement projects through the property assessed clean energy (PACE) program.
- For 2017, total operating revenues were \$162,703 and total operating expenses were \$162,613. The District's net position increased by \$90 from a deficit balance of \$1,539 at December 31, 2016 to a deficit balance of \$1,449 at December 31, 2017.
- During 2017, the District earned \$6,548 in project closing fees which represents a decrease \$184 from the \$6,732 earned in 2016.

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 District's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the District, including all short-term and long-term financial resources and obligations.

Reporting the District's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2017?" The statement of net position and the statement of revenues, expenses and changes in net position 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 District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the District finances and meets the cash flow needs of its operations and projects financed to support energy improvements.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

The table below provides a summary of the District's net position at December 31, 2017.

Net Position		
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets:		
Unrestricted	\$ 13,212	\$ 6,732
Restricted	612,512	1,105,065
Noncurrent assets:		
Restricted	<u>2,471,211</u>	<u>2,114,410</u>
Total assets	<u>3,096,935</u>	<u>3,226,207</u>
<u>Liabilities</u>		
Current liabilities:		
Payable from unrestricted assets	14,661	8,271
Payable from restricted assets	160,111	155,058
Noncurrent liabilities:		
Payable from restricted assets	<u>2,923,612</u>	<u>3,064,417</u>
Total liabilities	<u>3,098,384</u>	<u>3,227,746</u>
<u>Net Position</u>		
Unrestricted (deficit)	<u>(1,449)</u>	<u>(1,539)</u>
Total net position	<u>\$ (1,449)</u>	<u>\$ (1,539)</u>

Over time, net position can serve as a useful indicator of the District's financial position. At December 31, 2017, the District's net position totaled a deficit of \$1,449.

Unrestricted current assets include a depository account with a financial institution, cash held by the Columbus-Franklin County Finance Authority (the "Authority") as the District's Fiscal Agent, and accrued fees due to the District at year-end.

Restricted current and noncurrent assets represent pledged special assessments from the City of Columbus to support loans and notes issued to provide financing for energy improvement projects, cash and cash equivalents being held by the Authority in Huntington National Bank accounts as Trustee for energy financing projects.

Unrestricted current liabilities include accrued professional fees associated with the operation of the District.

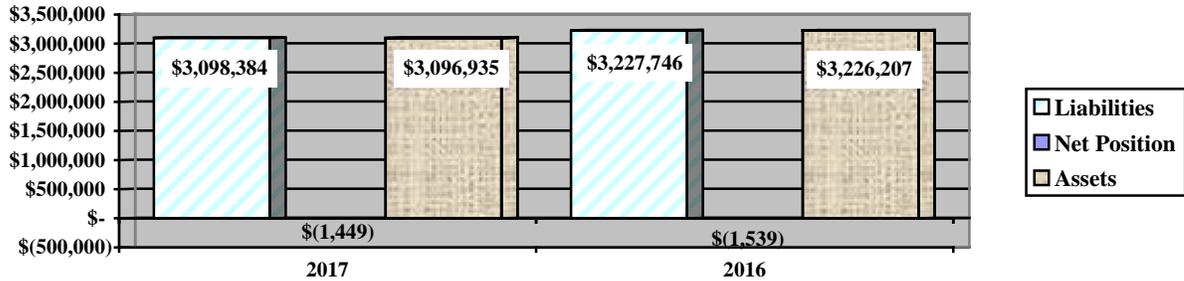
Restricted current and noncurrent liabilities include loans and notes supported by pledged special assessments on energy improvement projects on specific properties and related fees and interest.

The balance of unrestricted net position is a deficit of \$1,449.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

The chart below illustrates the District's assets, liabilities, and net position at December 31, 2017.



The table below shows the changes in net position for fiscal year 2017 and 2016.

Change in Net Position

<u>Operating Revenues:</u>	2017	2016
Project closing fees	\$ 6,548	\$ 6,732
Project financing fees	15,361	14,371
Interest income	140,794	131,394
Total operating revenues	162,703	\$ 152,497
 <u>Operating Expenses:</u>		
Professional services	6,390	8,271
Interest	140,794	131,394
Financing fees	15,361	14,371
Bank fees	68	-
Total operating expenses	162,613	154,036
Operating income (loss) / change in net position	90	(1,539)
Net position at beginning of year	(1,539)	-
Net position (deficit) at end of year	\$ (1,449)	\$ (1,539)

Operating revenues include project fee revenue which increased due to increased activity by the District. Because the District is a financing agency, interest revenue and interest expense are considered an operating activity. Professional services expense decreased as most initial fees for the establishment of the District were incurred in 2016. During 2017, the District assisted with the financing of energy improvements at a facility owned by East Broad Street Partners LLC in Whitehall, Ohio, and a facility owned by Frantz Investments LLC located in Dublin, Ohio, as well as two projects in Columbus which were financed by a private company.

Debt Administration

The District has a loan and a note payable used to finance energy projects. These obligations are secured by pledged special assessments. See Note 4 and Note 5 for further information on the District's loan and note payable.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Current Financial Related Activities

The District was created pursuant to Ohio Revised Code (ORC) Chapter 1710 for the purpose of enhancing the value of properties within the District and improving the environment by developing and assisting in developing special energy improvement projects. The District administers a PACE Program which provides financing secured by special assessments on real property for special energy improvement projects. Participation in the PACE Program is limited to property owners who have agreed to add their property to the District and who otherwise meet the PACE Program's terms and conditions. During 2017, the District assisted in financing four energy improvement projects for East Broad Street Partners LLC, Frantz Investments LLC, and two projects privately financed. Financing is arranged through either loans from the Authority, bonds issued by the Authority, or by loans from private companies. All financing is secured by pledged special assessments. The District hopes to increase the number of energy improvement projects financed in 2018. Fees generated by financing projects are necessary to support the operations of the District.

Contacting the District's Financial Management

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

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2017

Assets:	
Current assets:	
Cash	\$ 4,351
Cash with fiscal agent	7,982
Accounts receivable	879
Restricted assets:	
Cash and cash equivalents with fiscal agent in Trustee accounts	452,401
Pledged receivable	160,111
Total current assets	625,724
Noncurrent assets:	
Restricted assets:	
Pledged receivable	2,471,211
Total assets	3,096,935
Liabilities:	
Current liabilities:	
Accounts payable	14,661
Long-term liabilities payable from restricted assets:	
Due within one year:	
Accrued financing fees payable	1,900
Accrued interest payable	17,406
Loans payable (Note 4)	20,805
Note payable (Note 5).	120,000
Total due within one year	160,111
Due in more than one year:	
Loans payable (Note 4)	373,612
Note payable (Note 5).	2,550,000
Total due in more than one year.	2,923,612
Total long-term liabilities payable from restricted assets	3,083,723
Total liabilities	3,098,384
Net Position:	
Unrestricted (deficit)	(1,449)
Total net position	\$ (1,449)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

Operating revenues:	
Project closing fees	\$ 6,548
Project financing fees	15,361
Interest	140,794
	162,703
Operating expenses:	
Professional services	6,390
Interest	140,794
Financing fees	15,361
Bank fees	68
	162,613
Operating income / change in net position.	90
Net position (deficit) at beginning of year	(1,539)
Net position (deficit) at end of year	\$ (1,449)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Cash flows from operating activities:	
Cash received from project closing fees	\$ 5,669
Cash payments for bank fees.	<u>(68)</u>
Net cash provided by operating activities	<u>5,601</u>
Cash flows from noncapital financing activities:	
Project financing fees received	291,907
Principal paid on note and loan	(134,905)
Interest paid	(141,560)
Financing fees paid	(15,442)
Payments to vendors for energy improvements	<u>(501,712)</u>
Net cash (used in) noncapital financing activities.	<u>(501,712)</u>
Cash flows from investing activities:	
Interest and dividend income received	<u>4,106</u>
Net cash provided by investing activities	<u>4,106</u>
Net increase in cash and cash equivalents	(492,005)
Cash and cash equivalents at beginning of year	<u>956,739</u>
Cash and cash equivalents at end of year	<u><u>\$ 464,734</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 90
Changes in assets and liabilities:	
(Increase) in accounts receivable	(879)
Increase in accounts payable	<u>6,390</u>
Net cash provided by operating activities	<u><u>\$ 5,601</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - PURPOSE AND NATURE OF OPERATIONS

The Columbus Regional Energy Special Improvement District, Inc. (the “District”) was created on December 9, 2015 pursuant to Ohio Revised Code (ORC) Chapter 1710 for the purpose of enhancing the value of properties within the District and improving the environment by developing and assisting in developing special energy improvement projects. The District is authorized to take any other actions pursuant to ORC Chapter 1710 that may be taken by a special improvement district organized for the purpose of developing and implementing plans for special energy improvement projects. The City of Columbus, Ohio (“Columbus”), the City of Worthington, Ohio (“Worthington”), the City of Whitehall, Ohio (“Whitehall”), and the City of Dublin, Ohio (“Dublin”) are each a “participating political subdivision,” as that term is defined in ORC Section 1710.01(E) and are authorized to levy a special assessment on each property within their respective territorial within the District to pay for such special energy improvement projects. ORC Chapter 1710 has authorized property owners to include their properties within energy special improvement districts (ESIDs) upon a petition to a municipal corporation or township. ESIDs are voluntary organizations of property owners who undertake special energy improvement projects for their properties and finance such projects by way of voluntary special assessments.

The District administers a property assessed clean energy (PACE) program (the “Program”). The Program provides financing secured by special assessments on real property for special energy improvement projects. Participation in the District’s Program is limited to property owners who have agreed to add their property to the District and who otherwise meet the Program’s terms and conditions.

The members (“Members”) of the District, at any time shall be the owners of real property within the territory of the District, as described in the District’s Articles of Incorporation, and shall include the owners of any real property that is added to the District, other than a church or the state, county, township, municipal corporation or federal government; provided, however, that a church, county, township or municipal corporation owning real property in the District shall be a Member to the extent that it specifically requests in writing that its property be included in the District.

The District is controlled and managed under the direction of a Board of Directors (the “Board”). The Board shall at all times consist of at least 5 individuals (individually a “Director”). The municipal executive, as defined in ORC Section 1710.01(D), of each participating political subdivision of the District or an employee of each participating political subdivision who is involved with its planning or economic development function and who shall be appointed by and serve at the pleasure of such participating subdivision’s municipal executive each shall serve as a Director. A person appointed by and serving at the pleasure of the legislative authority of each political subdivision of the District each shall serve as a Director. The remaining Directors shall be Members or executive representatives of Members elected, designated, or appointed by the Members as described in the Code of Regulations. The District’s Board of Directors currently consists of eleven representatives including one representative for the property owners, two representatives from the City of Columbus, two representatives from the City of Worthington, two representatives from the City of Whitehall (one position is vacant), two representatives from the City of Dublin, a representative from the Mid-Ohio Regional Planning Commission, and a representative from the Columbus-Franklin County Finance Authority.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - PURPOSE AND NATURE OF OPERATIONS - (Continued)

The District uses the Columbus-Franklin County Finance Authority (the “Authority”) as Fiscal Agent for energy projects financed. The Authority utilizes Huntington National Bank as Trustee for the receipt and disbursement of monies related to energy financing.

Management believes the financial statements included in this report represent all of the activities over which the District is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District 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 District’s significant accounting policies are described below.

A. Basis of Accounting

The financial statements of the District have been prepared on the accrual basis of accounting in conformity with GAAP and accordingly reflect all significant receivables, payables and other liabilities.

B. Basis of Presentation

The District’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District’s principal ongoing operation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Because the District effectively is a financing agency, it considers interest and investment income and related expenses and fees as part of its operating activity. Such revenues and expenses are mainly considered as noncapital financing activities for purposes of its cash flows. Consequently, the District had no nonoperating revenues or expenses in 2017.

C. Cash and Investments

Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash on hand and all highly liquid investments with an original maturity of three months or less. The District established a depository account in November 1, 2017. The year-end balance of the depository account is presented on the financial statements as “Cash”.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Cash with Fiscal Agent

The Columbus-Franklin County Finance Authority (the “Authority”) acted as the District’s Fiscal Agent for operating activities for the period January 1, 2017 through October 31, 2017. On November 1, 2017, the District established its own depository account. Monies held by the Authority as the District’s Fiscal Agent, but not yet transferred to the District’s depository account, are reported as “Cash with Fiscal Agent” on the financial statements.

Restricted assets - Cash and Cash Equivalents with Fiscal Agent in Trustee Accounts

The Authority acts as the District’s Fiscal Agent for financing transactions involving Huntington National Bank as Trustee for the receipt and disbursement of monies related to energy projects as outlined by Disbursing and Payment Agreements entered into by the Authority and the Trustee for energy projects financed. These monies are restricted for the energy projects. The balance of the Trustee accounts held by the Authority as the District’s Fiscal Agent is reported as “Cash and Cash Equivalents with Fiscal Agent in Trustee accounts”.

For purposes of the statement of cash flows and for reporting on the statement of net position, investments with original maturities of three months or less at the time they are purchased by the District, or by the Authority as the District’s Fiscal Agent, are considered to be “cash equivalents”. Investments with an initial maturity of more than three months are considered to be “investments”.

D. Receivables

The District recognizes revenue when earned, but not received by year-end. The District’s pledged receivable represents future special assessment collections by Columbus, Worthington, Whitehall, and the Dublin which are pledged to the District to repay notes and loans required to finance energy improvements. See Note 4 and Note 5 for more information of the District’s pledged receivables.

Accounts receivable consist of accrued financing fees earned by the District in 2017 that will not be collected until 2018.

E. Payables

The District recognizes expenses when due, but unpaid as of year-end. The District’s accounts payable represents monies owed at year-end for professional services performed in 2017 and for monies owed to the Authority for payments made on-behalf of the District by the Authority as Fiscal Agent.

Accrued interest and fees payable include amounts accrued on the loans and notes payable that are attributable to 2017 activity but are not required to be paid until 2018.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

F. Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

G. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on the use of resources either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District had no restricted net position at year-end.

H. Restricted Assets

Assets are reported as restricted assets on the financial statements to the extent that their use is subject to constraints externally imposed by the debt agreements, creditors, grant contributors, or laws or regulations of other governments. The District reports restricted assets for cash held by its Fiscal Agent in Trustee account (see Notes 4 and 5, below), pledged special assessments receivable securing debt obligations issued to finance energy improvements, and prepaid escrow fees.

I. Pledged Receivable

The District has reported pledged receivables for contractually obligated future revenues due to the District that are considered under GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" to be collateralized borrowings. Pledged receivables have been reported in conjunction with loans payable (Note 4) and notes payable (Note 5) issued to provide energy improvements.

NOTE 3 - CASH AND INVESTMENTS

A. Deposits with Financial Institutions

At December 31, 2017, the carrying amount and the bank balance of the District's deposits was \$4,351. The entire balance was covered by the Federal Deposit Insurance Corporation.

B. Cash with Fiscal Agent

At December 31, 2017, the District had \$7,982 in cash held by the Authority in its capacity as the Districts' Fiscal Agent.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3 - CASH AND INVESTMENTS

C. Cash and Cash Equivalents with Fiscal Agent in Trustee Accounts

As of December 31, 2017, the Authority, as Fiscal Agent for the District, had \$452,401 deposited with Huntington National Bank as Trustee for the receipt and disbursement of monies related to energy projects as outlined by Disbursing and Payment Agreements entered into by the Authority and the Trustee for energy projects financed.

NOTE 4 – LOAN PAYABLE

The District had the following loan payable activity in 2017:

Project	Balance 1/1/17	Issued	Retired	Balance 12/31/17	Due Within One Year
NC Plaza LLC	\$ 414,322	\$ -	\$ (19,905)	\$ 394,417	\$ 20,805

NC Plaza LLC

On January 29, 2016, the Authority made a \$400,000 loan to the District to finance energy improvements for NC Plaza LLC. The loan bears an interest rate of 4.47% and is scheduled to mature on November 15, 2031. Capitalized interest in the amount of \$14,322 is included in the loan payable balance. This loan is being repaid from pledged special assessments collected by the City of Columbus which are remitted, on-behalf of the District, to Huntington National Bank (the “Trustee”) by the Loan Agreement entered into on January 1, 2016 by the District, NC Plaza LLC, the Authority and the City of Columbus. The Trustee makes the required debt service payments on the loan as they come due. As of December 31, 2016, the entire \$400,000 of the loan proceeds have been disbursed to vendors for the energy improvements.

Payments on the annual debt service requirements to maturity for loan payable, including capitalized interest, are:

Year Ending December 31,	Loans Payable		
	Principal	Interest	Total
2018	\$ 20,805	\$ 17,401	\$ 38,206
2019	21,745	16,460	38,205
2020	22,728	15,477	38,205
2021	23,755	14,450	38,205
2022	24,829	13,376	38,205
2023 - 2027	142,027	48,998	191,025
2028 - 2032	138,528	14,292	152,820
Totals	\$ 394,417	\$ 140,454	\$ 534,871

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 5 - NOTE PAYABLE

The District had the following note payable activity in 2017:

Project	Balance 1/1/17	Issued	Retired	Balance 12/31/17	Due Within One Year
NC Plaza LLC	<u>\$2,785,000</u>	<u>\$ -</u>	<u>\$(115,000)</u>	<u>\$ 2,670,000</u>	<u>\$ 120,000</u>

NC Plaza LLC

On January 29, 2016, the Authority issued \$2,785,000 of Series 2016A revenue bonds to finance energy improvements for NC Plaza LLC under the PACE Program. In accordance with the Loan Agreement dated January 1, 2016, the Authority lent the proceeds of the bond to the District which placed the proceeds with Huntington National Bank (the "Trustee"). Also, in accordance with the Loan Agreement, the District issued a note payable to the Trustee for repayment of the bond.

The trustee placed the proceeds, along with the \$400,000 of proceeds from the loan to NC Plaza LLC (Note 4) and a contribution from NC Plaza LLC of \$144,289 into a project account from which disbursements for the projects and the related financing are disbursed.

At December 31, 2017, the remaining balance of the proceeds maintained by the Trustee, \$452,401, is reported on the District's financial statements. Of this total, \$171,259 represents amounts available for future disbursement for energy improvements and \$281,142 represents amounts held for future debt service requirements.

The note payable is secured by pledged special assessments levied on the affected property. The City of Columbus collects special assessments on the property which it pays to the District or an account as directed by the District as defined in the Special Assessment Agreement entered into on January 1, 2016 between the Franklin County Treasurer, the City of Columbus, the District, and NC Plaza LLC. The District directs the pledged special assessments to be paid on their behalf directly to the Trustee for the Series 2016A revenue bonds as directed by the Loan Agreement between the Authority and the District. The Trustee makes the required bond debt service payments as they come due. The Series 2016A revenue bonds bear an interest rate of 4.47% and are scheduled to mature on November 15, 2031.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 5 - NOTE PAYABLE - (Continued)

The annual debt service requirements to maturity for the note payable are:

Year Ending December 31,	Note Payable		
	Principal	Interest	Total
2018	\$ 120,000	\$ 118,008	\$ 238,008
2019	130,000	112,532	242,532
2020	135,000	106,721	241,721
2021	140,000	100,575	240,575
2022	150,000	94,205	244,205
2023 - 2027	860,000	363,299	1,223,299
2028 - 2031	<u>1,135,000</u>	<u>137,900</u>	<u>1,272,900</u>
Totals	<u>\$ 2,670,000</u>	<u>\$ 1,033,240</u>	<u>\$ 3,703,240</u>

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**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

The management discussion and analysis of the Columbus Regional Energy Special Improvement District, Inc. (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- The District was incorporated on December 9, 2015. This is the first year the District is preparing financial statements according to accounting principles generally accepted in the United States of America (GAAP).
- For 2016, total operating revenues were \$152,497 and total operating expenses were \$154,036 resulting in a deficit net position balance of \$1,539 at December 31, 2016. The District earned \$6,732 in project closing fees during 2016 for its assistance on closing energy improvement projects for two companies.
- The District entered into a loan agreement and a note payable to provide financing for energy improvement projects. These obligations are supported by pledged special assessments on the specific properties.

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 District's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the District, including all short-term and long-term financial resources and obligations.

Reporting the District's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2016?" The statement of net position and the statement of revenues, expenses and changes in net position 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 District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the District finances and meets the cash flow needs of its operations and projects financed to support energy improvements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

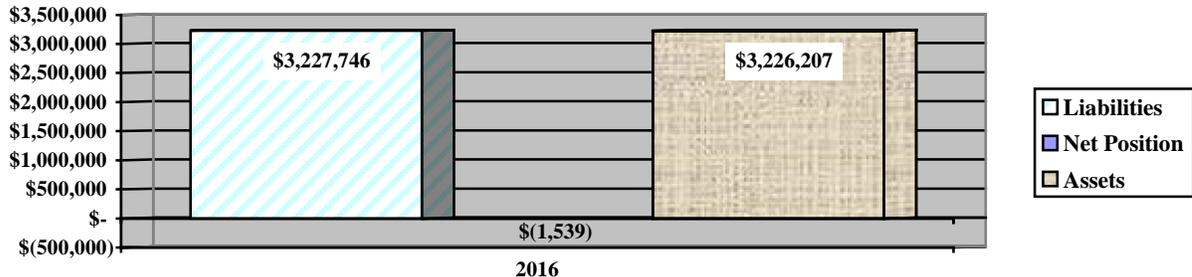
**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

The table below provides a summary of the District's net position at December 31, 2016.

Net Position	
	2016
<u>Assets</u>	
Current assets:	
Unrestricted	\$ 6,732
Restricted	1,105,065
Noncurrent assets:	
Restricted	2,114,410
Total assets	3,226,207
<u>Liabilities</u>	
Current liabilities:	
Payable from unrestricted assets	8,271
Payable from restricted assets	155,058
Noncurrent liabilities:	
Payable from restricted assets	3,064,417
Total liabilities	3,227,746
<u>Net Position</u>	
Unrestricted (deficit)	(1,539)
Total net position	\$ (1,539)

Over time, net position can serve as a useful indicator of the District's financial position. At December 31, 2016, the District's net position totaled a deficit of \$1,539. Unrestricted current assets include cash held by the District's fiscal agent, the Columbus-Franklin County Finance Authority (the "Authority"). Restricted current and noncurrent assets represent pledged special assessments from the City of Columbus to support loans and notes issued to provide financing for energy improvement projects as well as cash being held by the Fiscal Agent in Trustee accounts for completion of energy projects and for future debt service payments. Unrestricted current liabilities include accrued legal fees associated with the operation of the District. Restricted current and noncurrent liabilities include loans and notes supported by pledged special assessments on energy improvement projects on specific properties and related fees and interest. The balance of unrestricted net position is a deficit of \$1,539. The chart below illustrates the District's assets, liabilities, and net position at December 31, 2016.



**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

The table below shows the changes in net position for fiscal year 2016 and 2015.

Change in Net Position

<u>Operating Revenues:</u>	2016
Project closing fees	\$ 6,732
Project financing fees	14,371
Interest income	131,394
Total operating revenues	152,497
<u>Operating Expenses:</u>	
Professional services	8,271
Interest	131,394
Financing fees	14,371
Total operating expenses	154,036
Operating loss / change in net position	(1,539)
Net position at beginning of year	-
Net position (deficit) at end of year	\$ (1,539)

Operating revenues include fees obtained from closing energy projects and, because the District is a financing agency, interest and financing fees. Operating expenses include legal expenses and interest and financing fees. During 2016, the District assisted with the financing of energy improvements at a facility owned by NC Plaza LLC in Columbus, Ohio. The District also earned project closing fees for assisting an energy financing project for the Trivium Office Building located in Worthington, Ohio.

Debt Administration

The District has issued a loan to provide energy improvements. This loan, in the amount of \$400,000, was used to finance energy improvements for NC Plaza LLC located in Columbus, Ohio. This loan includes \$14,322 of capitalized interest in the loan balance at December 31, 2016. This loan is secured by pledged special assessments which will be received semi-annually to support the principal and interest payments on the loan which are due May 15 and November 15 of each year. The loan bears an interest rate of 4.47% and matures November 15, 2031. Principal and interest payments on the loan are scheduled to begin May 15, 2017.

On January 29, 2016, the Authority issued \$2,785,000 of Series 2016A revenue bonds to finance energy improvements for NC Plaza LLC under the PACE Program. In accordance with the Loan Agreement dated January 1, 2016, the Authority lent the proceeds of the bond to the District which placed the proceeds with Huntington National Bank (the "Trustee"). Also, in accordance with the Loan Agreement, the District issued a note payable to the Trustee for repayment of the bond.

See Note 4 and Note 5 for more detail on the District's loan and note obligations.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

Current Financial Related Activities

The District was created pursuant to Ohio Revised Code (ORC) Chapter 1710 for the purpose of enhancing the value of properties within the District and improving the environment by developing and assisting in developing special energy improvement projects. The District administers a property assessed clean energy (PACE) program. The PACE Program provides financing secured by special assessments on real property for special energy improvement projects. Participation in the PACE Program is limited to property owners who have agreed to add their property to the District and who otherwise meet the PACE Program's terms and conditions. The District receives a fee for assisting with arranging financing of energy improvement projects. The District hopes to increase the number of energy improvement projects financed in 2017. The fees generated by financing projects are necessary to support the operations of the District.

Contacting the District's Financial Management

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

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2016

Assets:	
Current assets:	
Cash with fiscal agent	\$ 6,732
Restricted assets:	
Cash and cash equivalents with Fiscal Agent in Trustee accounts.	950,007
Pledged receivable	<u>155,058</u>
Total current assets	1,111,797
Noncurrent assets:	
Restricted assets:	
Pledged receivable	<u>2,114,410</u>
Total assets	<u>3,226,207</u>
Liabilities:	
Current liabilities:	
Accounts payable	8,271
Long-term liabilities payable from restricted assets:	
Due within one year:	
Accrued financing fees payable	1,981
Accrued interest payable	18,172
Loans payable (Note 4)	19,905
Note payable (Note 5).	<u>115,000</u>
Total due within one year	<u>155,058</u>
Due in more than one year:	
Loans payable (Note 4)	394,417
Note payable (Note 5).	<u>2,670,000</u>
Total due in more than one year	<u>3,064,417</u>
Total long-term liabilities payable from restricted assets	<u>3,219,475</u>
Total liabilities	<u>3,227,746</u>
Net Position:	
Unrestricted (deficit)	<u>(1,539)</u>
Total net position	<u>\$ (1,539)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

Operating revenues:	
Project closing fees	\$ 6,732
Project financing fees	14,371
Interest	131,394
Total operating revenues	152,497
Operating expenses:	
Professional services	8,271
Interest	131,394
Financing fees	14,371
Total operating expenses	154,036
Operating loss / change in net position	(1,539)
Net position at beginning of year	-
Net position (deficit) at end of year	\$ (1,539)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities:	
Cash received from project closing fees	\$ 6,732
Net cash provided by operating activities	<u>6,732</u>
Cash flows from noncapital financing activities:	
Bonds proceeds passed through by the Columbus-Franklin County Finance Authority	2,785,000
Contribution from ESID member	144,289
Loans issued	400,000
Issue costs paid	(84,475)
Interest paid	(98,900)
Financing fees paid	(12,390)
Payments to vendors for energy improvements	<u>(2,187,732)</u>
Net cash provided by noncapital financing activities	<u>945,792</u>
Cash flows from investing activities:	
Dividend income received	<u>4,215</u>
Net cash provided by investing activities	<u>4,215</u>
Net increase in cash and cash equivalents	956,739
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 956,739</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (1,539)
Changes in assets and liabilities:	
Increase in accounts payable	<u>8,271</u>
Net cash provided by operating activities	<u>\$ 6,732</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - PURPOSE AND NATURE OF OPERATIONS

The Columbus Regional Energy Special Improvement District, Inc. (the “District”) was created on December 9, 2015 pursuant to Ohio Revised Code (ORC) Chapter 1710 for the purpose of enhancing the value of properties within the District and improving the environment by developing and assisting in developing special energy improvement projects. The District is authorized to take any other actions pursuant to ORC Chapter 1710 that may be taken by a special improvement district organized for the purpose of developing and implementing plans for special energy improvement projects. The City of Columbus, Ohio (“Columbus”) and the City of Worthington, Ohio (“Worthington”) are each a “participating political subdivision,” as that term is defined in ORC Section 1710.01(E) and are authorized to levy a special assessment on each property within their respective territorial within the District to pay for such special energy improvement projects. ORC Chapter 1710 has authorized property owners to include their properties within energy special improvement districts (ESIDs) upon a petition to a municipal corporation or township. ESIDs are voluntary organizations of property owners who undertake special energy improvement projects for their properties and finance such projects by way of voluntary special assessments.

The District administers a property assessed clean energy (PACE) program (the “Program”). The Program provides financing secured by special assessments on real property for special energy improvement projects. Participation in the District’s Program is limited to property owners who have agreed to add their property to the District and who otherwise meet the Program’s terms and conditions.

The members (“Members”) of the District, at any time shall be the owners of real property within the territory of the District, as described in the District’s Articles of Incorporation, and shall include the owners of any real property that is added to the District, other than a church or the state, county, township, municipal corporation or federal government; provided, however, that a church, county, township or municipal corporation owning real property in the District shall be a Member to the extent that it specifically requests in writing that its property be included in the District.

The District is controlled and managed under the direction of a Board of Directors (the “Board”). The Board shall at all times consist of at least 5 individuals (individually a “Director”). The municipal executive, as defined in ORC Section 1710.01(D), of each participating political subdivision of the District or an employee of each participating political subdivision who is involved with its planning or economic development function and who shall be appointed by and serve at the pleasure of such participating subdivision’s municipal executive each shall serve as a Director. A person appointed by and serving at the pleasure of the legislative authority of each political subdivision of the District each shall serve as a Director. The remaining Directors shall be Members or executive representatives of Members elected, designated, or appointed by the Members as described in the Code of Regulations. The District’s Board of Directors currently consists of seven members including one Member, two representatives from the City of Columbus, two representatives from the City of Worthington, a representative from the Mid-Ohio Regional Planning Commission, and a representative from the Columbus-Franklin County Finance Authority.

Management believes the financial statements included in this report represent all of the activities over which the District is financially accountable.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District 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 District's significant accounting policies are described below.

A. Basis of Accounting

The financial statements of the District have been prepared on the accrual basis of accounting in conformity with GAAP and accordingly reflect all significant receivables, payables and other liabilities.

B. Basis of Presentation

The District's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Because the District effectively is a financing agency, it considers interest and investment income and related expenses and fees as part of its operating activity. Such revenues and expenses are mainly considered as noncapital financing activities for purposes of its cash flows. Consequently, The District had no nonoperating revenues or expenses in 2016.

C. Cash with Fiscal Agent and Bond Trustee

Cash with Fiscal Agent

The Columbus-Franklin County Finance Authority (the "Authority") acted as the District's Fiscal Agent for operating activities for 2016. Monies held by the Authority as the District's Fiscal Agent are reported as "Cash with Fiscal Agent" on the financial statements.

Restricted assets - Cash and Cash Equivalents with Fiscal Agent in Trustee Accounts

The Authority acts as the District's Fiscal Agent for financing transactions involving Huntington National Bank as Trustee for the receipt and disbursement of monies related to energy projects as outlined by Disbursing and Payment Agreements entered into by the Authority and the Trustee for energy projects financed. These monies are restricted for the energy projects. The balance of the Trustee accounts held by the Authority as the District's Fiscal Agent is reported as "Cash and Cash Equivalents with Fiscal Agent in Trustee accounts".

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

For purposes of the statement of cash flows and for reporting on the statement of net position, investments with original maturities of three months or less at the time they are purchased by the District, or by the Authority as the District's Fiscal Agent, are considered to be "cash equivalents". Investments with an initial maturity of more than three months are considered to be "investments".

D. Receivables

The District recognizes revenue when earned, but not received by year-end. The District's pledged receivable represents future special assessment collections by the City of Columbus and the City of Worthington which are pledged to the District to repay notes and loans required to finance energy improvements. See Note 4 and Note 5 for more information of the District's pledged receivables.

E. Payables

The District recognizes expenses when due, but unpaid as of year-end. The District's accounts payable represents monies owed at year-end for legal services performed in 2016. Interest and fees payable include amounts accrued on the loans and notes payable that are attributable to 2016 activity but are not required to be paid until 2017.

F. Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

G. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on the use of resources either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District had no restricted net position at year-end.

H. Restricted Assets

Assets are reported as restricted assets on the financial statements to the extent that their use is subject to constraints externally imposed by the debt agreements, creditors, grant contributors, or laws or regulations of other governments. The District reports restricted assets for cash held by the trustee (see Notes 4 and 5, below) and pledged special assessments receivable securing debt obligations issued to finance energy improvements.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

I. Pledged Receivable

The District has reported pledged receivables for contractually obligated future revenues due to the District that are considered under GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" to be collateralized borrowings. Pledged receivables have been reported in conjunction with loans payable (Note 4) and notes payable (Note 5) issued to provide energy improvements.

NOTE 3 - CASH WITH FISCAL AGENT AND BOND TRUSTEE

A. Cash with Fiscal Agent

At December 31, 2016, the District had \$6,732 in cash held by the Authority in its capacity as the Districts' Fiscal Agent.

B. Cash and Cash Equivalents with Fiscal Agent in Trustee Accounts

As of December 31, 2016, the Authority, as Fiscal Agent for the District, had \$950,007 deposited with Huntington National Bank as Trustee for the receipt and disbursement of monies related to energy projects as outlined by Disbursing and Payment Agreements entered into by the Authority and the Trustee for energy projects financed.

NOTE 4 - LOAN PAYABLE

The District had the following loan payable activity in 2016:

Project	Balance 1/1/16	Issued	Capitalized Interest	Retired	Balance 12/31/16	Due Within One Year
NC Plaza LLC	\$ -	\$ 400,000	\$ 14,322	\$ -	\$ 414,322	\$ 19,905

NC Plaza LLC

On January 29, 2016, the Authority made a \$400,000 loan to the District to finance energy improvements for NC Plaza LLC. The loan bears an interest rate of 4.47% and is scheduled to mature on November 15, 2031. Capitalized interest in the amount of \$14,322 is included in the loan payable balance. This loan is being repaid from pledged special assessments collected by the City of Columbus which are remitted, on-behalf of the District, to Huntington National Bank (the "Trustee") by the Loan Agreement entered into on January 1, 2016 by the District, NC Plaza LLC, the Authority and the City of Columbus. The Trustee makes the required debt service payments on the loan as they come due. As of December 31, 2016, the entire \$400,000 of the loan proceeds have been disbursed to vendors for the energy improvements.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - LOAN PAYABLE - (Continued)

Payments on the annual debt service requirements to maturity for the loan payable, including capitalized interest, are:

Year Ending December 31,	Loans Payable		
	Principal	Interest	Total
2017	\$ 19,905	\$ 18,300	\$ 38,205
2018	20,805	17,401	38,206
2019	21,745	16,460	38,205
2020	22,728	15,477	38,205
2021	23,755	14,450	38,205
2022 - 2026	135,884	55,140	191,024
2027 - 2031	169,500	21,526	191,026
Totals	<u>\$ 414,322</u>	<u>\$ 158,754</u>	<u>\$ 573,076</u>

NOTE 5 - NOTE PAYABLE

The District had the following note payable activity in 2016:

Project	Balance 1/1/16	Issued	Retired	Balance 12/31/16	Due Within One Year
NC Plaza LLC	<u>\$ -</u>	<u>\$ 2,785,000</u>	<u>\$ -</u>	<u>\$ 2,785,000</u>	<u>\$ 115,000</u>

NC Plaza LLC

On January 29, 2016, the Authority issued \$2,785,000 of Series 2016A revenue bonds to finance energy improvements for NC Plaza LLC under the PACE Program. In accordance with the Loan Agreement dated January 1, 2016, the Authority lent the proceeds of the bond to the District which placed the proceeds with Huntington National Bank (the "Trustee"). Also, in accordance with the Loan Agreement, the District issued a note payable to the Trustee for repayment of the bond.

The trustee placed the proceeds, along with the \$400,000 of proceeds from the loan to NC Plaza LLC (Note 4) and a contribution from NC Plaza LLC of \$144,289 into a project account from which disbursements for the projects and the related financing are disbursed.

At December 31, 2016, the remaining balance of the proceeds maintained by the Trustee, \$950,007, is reported on the District's financial statements as Restricted Cash and Cash Equivalents with Fiscal Agent in Trustee Accounts. Of this total, \$670,824 represents amounts available for future disbursement for energy improvements and \$279,183 represents amounts held for future debt service requirements.

**COLUMBUS REGIONAL ENERGY
SPECIAL IMPROVEMENT DISTRICT, INC.
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5 - NOTE PAYABLE - (Continued)

The note payable is secured by pledged special assessments levied on the affected property. The City of Columbus collects special assessments on the property which it pays to the District or an account as directed by the District as defined in the Special Assessment Agreement entered into on January 1, 2016 between the Franklin County Treasurer, the City of Columbus, the District, and NC Plaza LLC. The District directs the pledged special assessments to be paid on their behalf directly to the Trustee for the Series 2016A revenue bonds as directed by the Loan Agreement between the Authority and the District. The Trustee makes the required bond debt service payments as they come due. The Series 2016A revenue bonds bear an interest rate of 4.47% and are scheduled to mature on November 15, 2031.

Interest expense of \$98,900 was paid by the Trustee out of funds from the bond/note issuance during 2016, and an additional \$15,819 of interest has been accrued attributable to 2016 that will be paid as part of the regularly scheduled debt service payments.

The annual debt service requirements to maturity for the note payable are:

Year Ending December 31,	Note Payable		
	Principal	Interest	Total
2017	\$ 115,000	\$ 123,260	\$ 238,260
2018	120,000	118,008	238,008
2019	130,000	112,532	242,532
2020	135,000	106,721	241,721
2021	140,000	100,575	240,575
2022 - 2026	820,000	400,400	1,220,400
2027 - 2031	1,325,000	195,004	1,520,004
Totals	<u>\$ 2,785,000</u>	<u>\$ 1,156,500</u>	<u>\$ 3,941,500</u>



Dave Yost • Auditor of State

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

Columbus Regional Energy Special Improvement District
Franklin County
350 E. First Avenue, Suite 120
Columbus, Ohio 43201

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Columbus Regional Energy Special Improvement District, Franklin County, Ohio (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 5, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 5, 2018

**COLUMBUS REGIONAL ENERGY SPECIAL IMPROVEMENT DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2017-001

Financial Reporting System - Noncompliance and Significant Deficiency

Ohio Administrative Code § 117-2-02(A) states, in part "All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions...".

The District's financial activity was integrated and commingled with their fiscal agent, the Franklin County Finance Authority, and records had to be extracted in order to accurately produce annual financial reports as of December 31, 2016 and 2017 to be filed with the Auditor of State's Office in accordance with Ohio Rev. Code § 117.38. In addition, the District did not operate a bank account independent from the fiscal agent until November of 2017. The lack of an appropriate financial reporting system results in an inability to produce timely financial information. Summarized financial information is not easily available and therefore is not reviewed by the Board of Directors.

Failure to appropriately track financial activity of the District could result in mismanagement of District funds. The Board should have access to readily available, accurate financial data to help enable management to make informed decisions and effectively govern the District.

Officials' Response

The Finance Authority manages the Columbus Regional Energy Special Improvement District on behalf of the ESID board. Due to the startup nature of the ESID, its funds were managed by the Finance Authority and accounted for in the Finance Authority's general accounting system: QuickBooks. Once revenues began to flow and the costs of banking could be covered effectively, a separate bank account was opened for the ESID in 2017 which addresses some of the audit issues raised. Finally, the Finance Authority will set up a separate accounting system on QuickBooks for the ESID for 2018.

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Dave Yost • Auditor of State

COLUMBUS REGIONAL ENERGY SPECIAL IMPROVEMENT DISTRICT

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
NOVEMBER 8, 2018**