

COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY

FRANKLIN COUNTY, OHIO

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2018

JEAN CARTER RYAN, PRESIDENT

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

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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Independent Auditor's Report

To the Board of Directors
Columbus-Franklin County Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Columbus-Franklin County Finance Authority (the "Authority") as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbus-Franklin County Finance Authority as of December 31, 2018 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of January 1, 2018. Our opinion is not modified with respect to this matter.

To the Board of Directors
Columbus-Franklin County Finance Authority

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2019 on our consideration of Columbus-Franklin County Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Columbus-Franklin County Finance Authority's internal control over financial reporting and compliance.



April 1, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The discussion and analysis of the Columbus-Franklin County Finance Authority (the "Authority") financial performance provides an overall review of the Authority's financial activities for the fiscal year ended December 31, 2018. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- In October 2018, Standard & Poor's (S&P) Global Rating Services ungraded the Authority's Central Ohio Bond Fund (COBF) from BBB+ to an A- investment rating.
- The Authority issued \$16.390 million in debt for four (4) projects through its COBF. See Note 5 for further detail of bonds issued through the COBF.
- The Authority issued eight (8) energy direct loans through the Authority's energy loan program. See Note 8 for further detail on the Authority's loans receivable. Seven (7) of these energy direct loans and five (5) previously issued energy direct loans were financed or refinanced through the issuance of energy bonds in 2018. See Note 7 for further detail on the Authority's energy loan program.
- The Authority issued \$234 million in debt for eleven (11) projects through its Conduit financing program. As of December 31, 2018, total drawn downs on these borrowings were \$100 million.
- The Authority received a \$1.5 million grant from Franklin County for use in the Authority's energy program and an additional \$628,684 grant from the Ohio Development Services Agency (ODSA) as additional energy loan loss reserves.

Using these Basic Financial Statements

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

Reporting the Authority's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2018?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its operations, projects financed through the Central Ohio Bond Fund (COBF) program and other financing projects.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's net pension liability.

The table below provides a summary of the Authority's net position at December 31, 2018 and December 31, 2017 as restated (see Note 15).

Net Position		
	2018	Restated 2017
<u>Assets</u>		
Current assets	\$ 5,814,562	\$ 4,192,895
Noncurrent assets:		
Unrestricted	1,675,329	616,943
Restricted	78,091,214	63,283,848
Total assets	85,581,105	68,093,686
Deferred outflows of resources	121,943	156,351
<u>Liabilities</u>		
Current liabilities:		
Payable from unrestricted assets	89,418	73,625
Noncurrent liabilities:		
Payable from unrestricted assets	496,166	551,887
Payable from restricted assets	61,331,234	47,376,324
Total liabilities	61,916,818	48,001,836
Deferred inflows of resources	88,007	7,748
<u>Net Position</u>		
Restricted	16,759,699	15,907,524
Unrestricted	6,938,524	4,332,929
Total net position	\$ 23,698,223	\$ 20,240,453

Over time, net position can serve as a useful indicator of the Authority's financial position. At December 31, 2018, the Authority's net position totaled \$23,698,223. Current assets increased primarily in the area of cash and cash equivalents which increased due to increased fees generated from financing activities in 2018. Restricted noncurrent assets increased primarily due to the receipt of additional loan loss reserves, energy grants restricted for energy loans, new energy direct loans issued and receivable, and an increase in pledged receivables associated with the issuance of \$16,390,000 in COBF bonds less \$1,815,000 of bonds which were retired.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

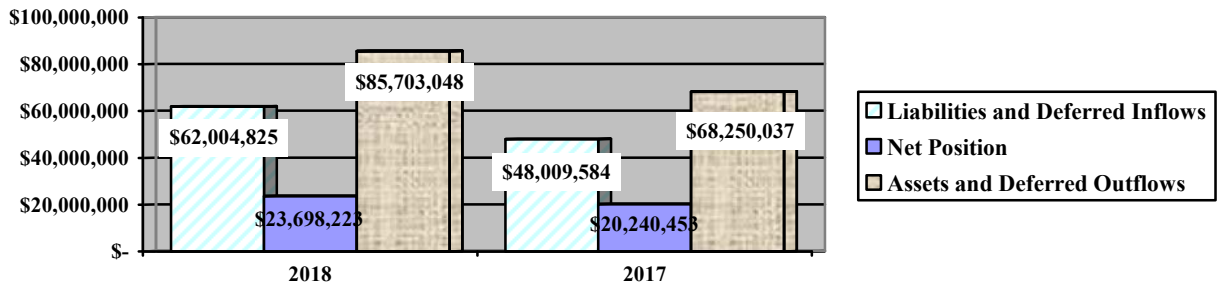
The Authority's noncurrent liabilities payable from unrestricted assets decreased due to a decrease in the Authority's net pension liability reported in accordance with Governmental Accounting Standards Board (GASB) No. 68. This decrease was partially offset by an increase in the Authority's net OPEB liability reported in accordance with GASB No. 75. See Note 15 for the implementation of GASB No. 75.

The Authority's noncurrent liabilities payable from restricted assets increased primarily due to a net increase in bonds payable of \$14,575,000 (issuances less retirements).

A portion of the Authority's net position, \$16,759,699, represents resources that are subject to external restriction on how they may be used. The restricted net position consists of the City of Columbus and Franklin County grants (\$2,500,000) which were used to establish the COBF reserve account and the difference (\$744,500) between the original proceeds received from the State loan (\$2,500,000) and the balance of the State loan liability at year end (\$1,755,500). In addition, the Authority reports restricted net position related to amounts restricted by energy program (\$7,578,524), amounts restricted by other financing projects (\$5,825,004), and amounts restricted by capital and operating reserve requirements (\$111,671).

The balance of unrestricted net position is \$6,938,524 and can be used to finance the Authority's operations.

The chart below illustrates the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at December 31, 2018 and 2017 as restated (see Note 15).



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The table below shows the changes in net position for fiscal year 2018 and 2017.

Change in Net Position

	<u>2018</u>	<u>2017</u>	Increase <u>(Decrease)</u>
<u>Operating Revenues:</u>			
Conduit financing and other fees	\$ 1,387,904	\$ 1,064,565	\$ 323,339
Central Ohio bond fund fees	370,262	262,111	108,151
Operating grants	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>
Total operating revenue	<u>1,758,166</u>	<u>1,426,676</u>	<u>331,490</u>
<u>Operating Expenses:</u>			
Salaries and benefits	497,186	434,903	62,283
Professional services	145,467	171,047	(25,580)
Miscellaneous operating expenses	<u>200,771</u>	<u>155,256</u>	<u>45,515</u>
Total operating expenses	<u>843,424</u>	<u>761,206</u>	<u>82,218</u>
Operating income	<u>914,742</u>	<u>665,470</u>	<u>249,272</u>
<u>Nonoperating Revenues (Expenses):</u>			
Interest revenue	338,802	216,403	122,399
(Decrease) in fair value of investments	(46,235)	(58,269)	12,034
Hubbard garage reserve contributions	111,712	-	111,712
Energy programs:			
Energy grants	2,128,684	2,346,597	(217,913)
Energy fees	-	3,377	(3,377)
Other revenue	10,137	-	10,137
Fiscal charges	(72)	-	(72)
Other financing projects:			
Assigned tax increment financing revenues	-	169,727	(169,727)
Pass through payments to Pizzuti	-	(169,727)	169,727
Grants	-	1,000,000	(1,000,000)
Developer contribution	-	10,000	(10,000)
Fiscal charges	-	(10,000)	10,000
Gain on forgiveness of debt	-	6,407,934	(6,407,934)
Bond fund:			
Pledged revenue	3,308,165	3,913,916	(605,751)
Interest expense on bonds	(1,773,194)	(1,148,412)	(624,782)
Fiscal charges	(626,634)	(178,923)	(447,711)
Developer costs	<u>(908,337)</u>	<u>(2,586,581)</u>	<u>1,678,244</u>
Total nonoperating revenues	<u>2,543,028</u>	<u>9,916,042</u>	<u>(7,373,014)</u>
Change in net position	3,457,770	10,581,512	(7,123,742)
Net position at beginning of year (restated - Note 15)	<u>20,240,453</u>	N/A	
Net position at end of year	<u>\$ 23,698,223</u>	<u>\$ 20,240,453</u>	

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Operating revenues increased \$331,490 or 23.24%. This increase is primarily due to increased fees generated through the Authority's Conduit Financing program. The Authority generated increased COBF fees even though the Authority issued the same number of bonds (four) through the COBF in both 2018 and 2017. In addition, the Authority had increased energy fees and \$34,004 in net parking garage fees associated with the Hubbard parking garage which was a new revenue source in 2018.

Operating expenses increased \$82,218 or 10.80% primarily in the area of salaries and benefits expenses. The increase is primarily due to pension and OPEB expense related to the Authority's net pension liability and net OPEB liability under GASB 68 and 75, respectively.

Net nonoperating revenues decreased primarily due one-time items which occurred in 2017. In 2017, the Authority recognizing the gain on forgiveness of debt of the ODSA loan related to the Pizzuti Rickenbacker project of \$6,407,934 and received a \$1,000,000 grant from the City of Columbus for the Long Street Parking Garage loan.

Nonoperating revenues of the bond fund transactions include the collection of pledged revenues supporting the bonds issued through the COBF. Interest payments and fiscal charges related to the debt service on the bonds are reported a nonoperating expenses. Interest expense increased as the Authority has more bonds in the COBF in 2018. Developer costs consist of monies disbursed from Pledged TIF payments and bond proceeds to developers to perform projects. Developer costs decreased from the prior year.

Debt Administration

The Authority obtained a \$2.5 million ODSA loan in 2007. The loan is interest free with a term of 20 years. Principal payments of \$50,500 were made in 2018. Principal payments were paid out of restricted operating funds of the Authority. The ODSA Loan Agreement requires that annual repayment of principal to be based on no more than the interest earned on the \$2.5 million reserve, up to \$125,000. See Note 10 for more detail on the ODSA loan.

In 2018, the Authority issued \$16,390,000 in revenue bonds through the COBF program to finance four projects. The repayments are secured by pledged revenues which will be collected and distributed to the trustee for repayment of the bonds. See Note 5 for more detail on the COBF program.

Current Financial Related Activities

The Authority has the ability to finance projects through its Central Ohio Bond Fund program, Conduit Financing program, Energy Loan Program, and through other financing vehicles. At year-end there were 21 projects financed through the Authority's COBF program. The Authority's goals are to increase the number of projects financed in 2019 and to increase the number of loans through the energy program. Fees generated by financing projects are necessary to support the operations of the Authority.

Contacting the Authority's Financial Management

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

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

STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS:	
Current:	
Cash, cash equivalents, and investments (Note 3)	\$ 5,669,514
Other assets	145,048
Total current assets	5,814,562
Noncurrent:	
Loan receivable (Note 8)	454,943
Pledged receivable (Note 5 and 7)	1,220,386
Restricted assets:	
Cash, cash equivalents, and investments (Note 3)	29,417,191
Pledged receivable (Note 5 and 7)	43,424,314
Loans receivable (Note 8)	5,249,709
Total restricted assets	78,091,214
Total noncurrent assets	79,766,543
Total assets	85,581,105
DEFERRED OUTFLOWS OF RESOURCES:	
Pension - OPERS (Note 12)	101,949
OPEB - OPERS (Note 13)	19,994
Total deferred outflows of resources	121,943
LIABILITIES:	
Current:	
Accounts and other payables	23,787
Accrued salaries and benefits payable	65,631
Total current liabilities	89,418
Noncurrent:	
Net pension liability (Note 12)	301,474
Net OPEB liability (Note 13)	194,692
Payable from restricted assets:	
State loan payable (Note 10)	1,755,500
Bond fund:	
Revenue bonds (Note 5)	53,327,860
Accrued interest payable	260,333
Due to developer	5,657,090
Other payables	330,451
Total payable from restricted assets	61,331,234
Total noncurrent liabilities	61,827,400
Total liabilities	61,916,818
DEFERRED INFLOWS OF RESOURCES:	
Pension - OPERS (Note 12)	73,504
OPEB - OPERS (Note 13)	14,503
Total deferred inflows of resources	88,007
NET POSITION:	
Restricted	16,759,699
Unrestricted	6,938,524
Total net position	\$ 23,698,223

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

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

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating revenues:	
Conduit financing and other fees	\$ 1,387,904
Central Ohio bond fund fees	<u>370,262</u>
Total operating revenues	<u>1,758,166</u>
Operating expenses:	
Salaries and benefits	497,186
Professional services	145,467
Miscellaneous	<u>200,771</u>
Total operating expenses	<u>843,424</u>
Operating income	<u>914,742</u>
Nonoperating revenues (expenses):	
Interest revenue	338,802
(Decrease) in fair value of investments	(46,235)
Hubbard garage reserve contributions	111,712
Energy programs:	
Energy grants (Note 11)	2,128,684
Other revenue	10,137
Fiscal charges and other expenses	(72)
Bond fund:	
Pledged revenue (Note 5)	3,308,165
Interest expense on bonds (Note 5)	(1,773,194)
Fiscal charges	(626,634)
Developer costs	<u>(908,337)</u>
Total nonoperating revenues (expenses)	<u>2,543,028</u>
Change in net position	3,457,770
Net position, January 1 (restated - Note 15)	<u>20,240,453</u>
Net position, December 31	<u>\$ 23,698,223</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 YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:	
Cash received from conduit financing and other fees.	\$ 1,399,927
Cash received from Central Ohio bond fund fees.	370,262
Cash received from other operations	6,144
Cash payments for salaries and benefits	(431,418)
Cash payments for other operating expenses	(425,917)
Net cash provided by operating activities.	<u>918,998</u>
Cash flows from noncapital financing activities:	
Payment on State loan - bond fund reserve	(50,500)
Grants received.	2,128,684
Other revenue received	10,137
Loan principal payments received	50,000
Loan disbursements made	(2,796,005)
Hubbard garage reserve contributions received.	111,712
Assigned tax increment financing revenue received.	161,656
Fiscal charges and other expenses	(93)
Bond fund:	
Pledged revenue received.	4,126,732
Issuance of revenue bonds	16,390,000
Premium/discount of bonds issued, net	(87,253)
Pass through bond proceeds payment.	(1,952,682)
Developer costs paid	(6,467,769)
Principal paid on bonds	(915,000)
Interest paid on bonds	(1,668,174)
Fiscal charges and other payments	(641,381)
Distribution to developer	(2,102)
Net cash provided by noncapital financing activities	<u>8,397,962</u>
Cash flows from investing activities:	
Purchase of investments	(109,266)
Sale of investments	78,765
Interest received	469,362
Net cash provided by investing activities.	<u>438,861</u>
Net increase in cash and cash equivalents	9,755,821
Cash and cash equivalents, January 1	<u>20,826,408</u>
Cash and cash equivalents, December 31.	<u>\$ 30,582,229</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 914,742
Changes in assets and liabilities:	
(Increase) in other assets	(70,483)
Increase in accrued salaries and benefits payable.	6,822
Increase in accounts and other payables.	8,971
Decrease in deferred outflows - pension and OPEB	34,408
Increase in deferred inflows - pension and OPEB	80,259
(Decrease) in net pension liability	(80,525)
Increase in OPEB liability	24,804
Net cash provided by operating activities.	<u>\$ 918,998</u>

Noncash Transaction:

The Authority assigned \$900,000 of prepaid financing payments to the Trustee of the Series 2015B bonds to redeem the bonds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - DESCRIPTION OF THE ENTITY

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

The Board of Directors (the “Board”) is the governing body of the Authority. The Board consists of nine members each of whom shall serve for a term of four years, of which four are appointed by the Mayor of the City of Columbus, with advice and consent of the Columbus City Council, four are appointed by the Board of County Commissioners of the County of Franklin, Ohio, and one shall be a joint appointment. The officers of the Board consist of a Chair, Vice-Chair 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) (see Note 5) and its Conduit Financing programs (see Note 6). The Authority is also involved in certain other financing projects which are described in Note 7 and energy and other loan programs which are described in Note 8.

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'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” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Authority are not misleading. The Authority has no component units and no other governmental organizations other than the Authority itself are included in the financial reporting entity.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

B. Fund Accounting

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

C. Basis of Presentation

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

D. Basis of Accounting/Measurement Focus

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

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

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from servicing fees. Operating expenses for the Authority include the cost of providing these services, including administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues include pledged revenue to support repayment of bonds issued through the COBF, energy grants, interest earnings, contributions, and other revenues. Nonoperating expenses include interest payments on bonds, fiscal charges, and developer costs related to projects financed through the COBF. Nonoperating expenses also include changes in the fair value of the Authority's investments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

E. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of cash on hand and all highly liquid investments with an original maturity of three months or less.

During 2018, investments were limited to negotiable certificates of deposit (CD's) (insured by the Federal Deposit Insurance Corporation (FDIC)), Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, U.S. Treasury notes, U.S. government money market mutual funds, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, the Authority measures investments at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, "Certain External Investment Pools and Pool Participants". The Authority measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Restricted assets

Restricted cash, cash equivalents, and investments include: (1) monies held by a trustee in accordance with the bond indentures for the bonds issued through the Authority's COBF, (2) cash and cash equivalents of the COBF bond reserve, (3) program funds restricted to reinvestment in the Rickenbacker area, (4) energy grants and program funds which are restricted for use in the Authority's energy programs, (5) cash and cash equivalents of the Hubbard parking garage operating and capital reserve, and (6) investments of the COBF reserve to the extent that their use is subject to constraints externally imposed by the trust indenture, creditors, grant contributors, or laws or regulations of other governments. The Authority is required to restrict \$5,000,000 (in both cash and cash equivalents and investments) which represents the proceeds of a City of Columbus bond reserve grant, a Franklin County bond reserve grant and proceeds of the Ohio Development Services Agency (OSDA) loan (see Note 10).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

F. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position includes, but is not limited to, bond reserve grant and loan proceeds that are used in the COBF program (see Note 5). Restricted net position is reduced by the balance of the ODSA loan payable at year end. The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

G. Intergovernmental Revenue

During 2018, the Authority reported \$628,684 in energy loan loss reserve grants and a \$1.5 million grant from Franklin County. Energy loan loss reserve grants and the Franklin County grant are restricted to fund energy improvement projects through the Authority's energy programs. Revenues from energy grants are recognized as nonoperating revenue in the accounting period in which it is earned, essentially the same as the fiscal year.

H. Issuance Costs, Unamortized Bond Discounts and Premiums

In the financial statements, for bonds issued through the Authority's COBF, bond issuance are paid from bond proceeds and are reported as a component of the pledged receivable supporting repayment of the bonds. Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized bond discounts and premiums are presented as an increase or decrease of the face amount of the bond payable (see Note 5).

I. Pledged Receivable

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

J. Compensated Absences

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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.

L. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. See Notes 12 and 13 for detail on the Authority's deferred outflows of resources related to its net pension liability and net Other Postemployment Benefits (OPEB) liability, respectively. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. See Notes 12 and 13 for detail on the Authority's deferred inflows of resources related to its net pension liability and net OPEB liability, respectively.

M. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

N. Due to Developer

The Authority reports bonds proceeds and other revenues received through the COBF program that are collected and held by the Trustee at year-end as due to developer on the statement of net position (Note 5).

O. Additional COBF Cash Reserves

During 2016, the Authority's Board, by resolution, designated \$1 million of unrestricted cash and cash equivalents to build additional cash reserves for the COBF program. The designated funds shall be used for the purpose of the COBF program at the direction of the Authority's Board. These assets are reported as unrestricted cash and cash equivalents on the statement of net position since the limitation on use was imposed by an internal, rather than external, source.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At December 31, 2018, the carrying amount of the Authority's deposits was \$27,673,916 and the bank balance was \$27,680,267. Of the bank balance, \$726,733 was covered by the FDIC and \$26,953,534 was exposed to custodial credit risk described below.

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 by (1) eligible securities pledged to the Authority's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

B. Investments

As of December 31, 2018, the Authority had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities			
		6 months or less	7 to 12 months	19 to 24 months	Greater than 24 months
Fair Value:					
FHLB	\$ 1,041,246	\$ -	\$ -	\$ -	\$ 1,041,246
FHLMC	802,600	-	-	-	802,600
Negotiable CD's	2,454,024	-	491,962	487,316	1,474,746
U.S Treasury notes	109,550	109,550	-	-	-
U.S government money market mutual funds	155,296	155,296	-	-	-
Amortized Cost:					
STAR Ohio	2,850,073	2,850,073	-	-	-
Total	\$ 7,412,789	\$ 3,114,919	\$ 491,962	\$ 487,316	\$ 3,318,592

The weighted average length to maturity of investment is 1.50 years.

Fair Value Measurements: The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

The Authority's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The Authority's investments in federal agency securities (FHLB and FHLMC), U.S. Treasury notes, and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs). As discussed in Note 2.E, investments in STAR Ohio are reported at the net asset value (NAV) per share as provided by STAR Ohio.

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

Credit Risk: The Authority's investments in FHLB securities, FHLMC securities, and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. government money market mutual funds an AAAM money market rating. The negotiable certificates of deposit were not rated but are fully covered by the FDIC.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the custodial agent, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The FHLB securities and FHLMC securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the Authority's name. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The Authority's investment policy does not specifically address the concentration of credit risk. The Authority places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Authority at December 31, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Fair value:		
FHLB	\$ 1,041,246	14.05
FHLMC	802,600	10.83
Negotiable CD's	2,454,024	33.11
U.S. Treasury notes	109,550	1.48
U.S. government money market mutual funds	155,296	2.09
Amortized cost:		
STAR Ohio	<u>2,850,073</u>	<u>38.44</u>
Total	<u>\$ 7,412,789</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

D. Schedule of Cash and Investments

The following is a schedule of deposits and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of December 31, 2018:

	Cash and Cash Equivalents	Investments	Total
Unrestricted:			
Deposits	\$ 2,916,497	\$ 2,753,017	\$ 5,669,514
Restricted deposits:			
Operating	111,671	-	111,671
Other financing projects	1,145,074	-	1,145,074
Energy	6,862,407	-	6,862,407
COBF - reserve	340,228	155,296	495,524
Bonds	16,296,571	-	16,296,571
Manuscript	1,468	-	1,468
Restricted investments:			
COBF - reserve	-	4,504,476	4,504,476
Total	<u>\$ 27,673,916</u>	<u>\$ 7,412,789</u>	<u>\$ 35,086,705</u>

NOTE 4 - HUBBARD PARKING GARAGE

In September 2012, the Authority issued conduit debt to finance the Hubbard parking garage. The agreements stipulate that upon retirement of the Hubbard garage C bonds, the operating reserve, the capital reserve, and parking revenues will flow through the Authority. The Authority reports the balance of the operating reserve and capital reserve as a restricted cash and cash equivalent on the financial statements. During 2018, the Authority received contributions in the amounts of \$50,890 and \$60,822, to fund the operating and capital reserve, respectively.

Monthly parking revenues come into the parking revenue account monthly net of operating expenses paid by the parking garage manager. After making any required deposits to the operating reserve and capital reserve, 95% of the parking revenues are redirected to the developer managing the parking garage with 5% of the parking revenues remaining with the Authority as a fee. During 2018, Authority has reported \$34,004 in conduit and other financing fee revenue related to this arrangement.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 5 - CENTRAL OHIO BOND FUND PROGRAM

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

To fund the COBF reserve account, the Authority received \$5,000,000 in grants and loans. On December 21, 2006, the Authority received a \$1,250,000 grant from Franklin County. On March 15, 2007, the Authority received a \$1,250,000 grant from the City of Columbus. On May 8, 2007, the Authority received a \$2,500,000 loan from the ODSA (See Note 10). The grant revenues and loan proceeds were deposited into the COBF reserve account and are reported as restricted assets on the statement of net position. Interest earned on investments purchased by the grant proceeds is not required to be maintained in the COBF reserve and may be used by the Authority for general operations.

Under the COBF, debt service requirements on each bond issue are secured by a pledge of amounts to be received under financing agreements, leases, or loan agreements with borrowers who utilize the financed facilities. In addition, all borrowers are required to provide 10% of the bond premium in a reserve (which is used to make the final payment on the bonds). Amounts in the COBF reserve account may be used for debt service in the event the borrower is unable to make the required payments under the lease or loan agreements. The amount held in the COBF reserve account at December 31, 2018 of \$5,000,000 is restricted in use and reported as a restricted asset on the statement of net position.

The Authority obtained a \$10 million, unsecured letter of credit in order to support issuance of development bonds via the Authority's COBF program. No amounts were outstanding on the letter of credit at December 31, 2018. In addition, the Authority's Board has, by resolution, designated \$1 million of unrestricted cash and cash equivalents to build additional cash reserves for the COBF program (see Note 2.O.).

All revenue bonds are special obligations and not general obligations of the Authority. The bonds do not represent or constitute a debt or pledge of the faith and credit of the Authority. The Authority has reported assets for pledged receivables and cash equivalents held by the fiscal agent which is dedicated to the project. These assets are reported as noncurrent restricted assets on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

During 2018, the following activity occurred in the COBF program:

	Maturity Date	Balance 12/31/17	Issued	Retired	Balance 12/31/18	Amounts Due In One Year
Revenue Bonds:						
2007A - Harrison West, 6.00%	2035	\$ 2,000,000	\$ -	\$ (140,000)	\$ 1,860,000	\$ 80,000
2015B - Tuller Flats, 3.00%	2022	1,000,000	-	(1,000,000)	-	-
2015E - Rogue Fitness, 3.00%	2023	1,000,000	-	-	1,000,000	-
2015G - Olympic, 3.00%	2024	250,000	-	-	250,000	-
2015H - StoryPoint, 3.00%	2021	1,000,000	-	-	1,000,000	-
2016A - PNC Tower, 4.47%	2031	2,670,000	-	(120,000)	2,550,000	130,000
2016B - Bell Hilliard, 3.00%	2025	1,000,000	-	-	1,000,000	-
2016C - University Plaza, 3.00%	2024	1,000,000	-	-	1,000,000	-
2016D - H2 Hotel, 3.00%	2025	250,000	-	-	250,000	-
2016E - Landmark Lofts, 3.00%	2026	1,000,000	-	-	1,000,000	-
2016F - Polaris, 3.00%	2023	1,000,000	-	-	1,000,000	-
2016G - Bridge Park West, 3.345%	2041	4,915,000	-	-	4,915,000	135,000
2016H - Vision, 3.025%	2027	4,095,000	-	-	4,095,000	200,000
2017A - St. Clair Commons, 3.82%	2036	2,335,000	-	-	2,335,000	90,000
2017B - Rickenbacker Phase II, 4.00%	2038	4,140,000	-	(50,000)	4,090,000	50,000
2017C - One Neighborhood 3, 2.00-4.00%	2040	7,595,000	-	(110,000)	7,485,000	105,000
2017D - Miranova, 4.50%	2029	3,510,000	-	(215,000)	3,295,000	205,000
2018A - Energy Bond #1, 4.88/4.89%	2032	-	3,290,000	(180,000)	3,110,000	140,000
2018B - 800 N. High Garage, 3.97%	2043	-	4,800,000	-	4,800,000	-
2018C - Long St. Energy, 4.25-4.75%	2038	-	3,160,000	-	3,160,000	-
2018D - Energy Bond #2, 4.56/4.71%	2038	-	5,140,000	-	5,140,000	-
Total bonds		38,760,000	16,390,000	(1,815,000)	53,335,000	1,135,000
Unamortized premiums		276,147	-	(12,484)	263,663	-
Unamortized discounts		(195,518)	(87,253)	11,968	(270,803)	-
Total		<u>\$38,840,629</u>	<u>\$ 16,302,747</u>	<u>\$ (1,815,516)</u>	<u>\$53,327,860</u>	<u>\$ 1,135,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

The Authority issued the following COBF bonds during 2018:

Series 2018A – Pooled Energy Efficiency Bond 1

On February 14, 2018, the Authority issued \$3,290,000 in Series 2018A-1 and A-2 revenue bonds to establish an Energy Escrow account used to finance individual energy direct loans (see Note 7 and 8). Principal and interest payments began May 15, 2018 and are due May 15th and November 15th of each year. The bonds will be repaid from the pledged accumulative repayment of the energy direct loans made by the Authority. The bonds are payable solely from these pledged revenues.

Series 2018B – 800 N. High Parking Facility Project

On June 28, 2018, the Authority issued \$4,800,000 in Series 2018B revenue bonds for the construction of a parking facility in connection with the 800 N. High mixed-use development. The project developer has ground leased the parking facility to the Authority on a 40-year ground lease term for \$1 per year. The ground lease will terminate once the bonds are retired in full. Interest payments began November 15, 2018 and are due May 15th and November 15th of each year. Principal payments begin May 15, 2021 and are due May 15th and November 15th of each year. The bonds will be repaid from pledged net receipts of the parking facility and New Community Authority charges levied on the improvements. The bonds are payable solely from these pledged revenues.

Series 2018C – 35-55 West Long Street Energy Efficiency Project

On July 26, 2018, the Authority issued \$3,160,000 in Series 2018C revenue bonds, as part of a Property Assessed Clean Energy Bond (PACE) Project. The proceeds of these bonds are to pay for energy improvements including interior LED Lighting, Envelope Upgrades, HVAC, Plumbing Fixtures, Energy Star Appliances, Elevator, and Design Costs. In conjunction with the bond issue, a Cooperative Agreement was entered into between the City of Columbus, the Columbus Regional Energy Special Improvement District, and the Authority for the assignment of special assessments levied on the tax parcel benefitting from the energy improvements securing repayment. Interest payments began November 15, 2018 and are due May 15th and November 15th of each year. Principal payments begin May 15, 2020 and are due May 15th and November 15th of each year. The bonds are payable solely from these pledged revenues.

Series 2018D – Pooled Energy Efficiency Bond 2

On October 24, 2018, the Authority issued \$5,140,000 in Series 2018D-1 and D-2 revenue bonds to fund an Energy Escrow account used to finance individual energy direct loans (see Note 7 and 8). Interest payments begin May 15, 2019 and are due May 15th and November 15th of each year. Principal payments begin May 15, 2020 and are due May 15th and November 15th of each year. The bonds will be repaid from the pledged accumulative repayment of the energy direct loans made by the Authority. The bonds are payable solely from these pledged revenues.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Pledged Revenue and Cash Held by Trustee

All COBF revenue bonds are secured by pledged revenues. The pledged revenue coverage is reported below. In accordance with the bond indentures, certain bond proceeds were used to fund various accounts with a trustee. The balance of the amounts held by the trustee at December 31, 2018 are disclosed in the table below. The amounts held by the trustee are reported as restricted cash and cash equivalents on the statement of net position. The following is a schedule of the pledged revenue coverage and cash held by the trustee at year-end:

	Pledged Revenue Coverage				Restricted Cash Held By Trustee at 12/31/18
	Total Principal and Interest Remaining on Bonds at 12/31/18	Principal Paid in 2018	Interest Expense in 2018	Pledged Revenue in 2018	
Revenue Bonds:					
2007A - Harrison West, 6.00%	\$ 2,838,600	\$ 140,000	\$ 117,482	\$ 997,401	\$ 1,525,174
2015B - Tuller Flats, 3.00%	-	1,000,000 ⁽¹⁾	32,500	39,000	-
2015E - Rogue Fitness, 3.00%	1,135,000	-	30,000	36,000	105,712
2015G - Olympic, 3.00%	291,250	-	7,500	10,250	27,289
2015H - StoryPoint, 3.00%	1,075,000	-	30,000	36,000	108,724
2016A - PNC Tower, 4.47%	3,465,231	120,000	117,326	133,008	330,902
2016B - Bell Hilliard, 3.00%	1,210,000	-	32,500	36,000	105,019
2016C - University Plaza, 3.00%	1,165,000	-	30,000	36,000	107,948
2016D - H2 Hotel, 3.00%	298,750	-	7,500	10,250	34,754
2016E - Landmark Lofts, 3.00%	1,225,000	-	30,000	36,000	104,971
2016F - Polaris, 3.00%	1,150,000	-	30,000	36,000	114,016
2016G - Bridge Park West, 3.345%	7,570,655	-	183,422	216,517	501,450
2016H - Vision, 3.025%	4,801,915	-	123,761	186,632	678,952
2017A - St. Clair Commons, 3.82%	3,270,328	-	91,694	109,869	643,652
2017B - Rickenbacker Phase II, 4.00%	6,227,500	50,000	166,810	387,493	2,614,735
2017C - One Neighborhood 3, 2.00-4.00%	11,498,144	110,000	271,067	318,199	765,406
2017D - Miranova, 4.50%	4,295,799	215,000	140,062	321,647	553,430
2018A - Energy Bond #1, 4.88/4.89%	4,413,017	180,000	137,557	151,568	3,928,691
2018B - 800 N. High Garage, 3.97%	7,965,678	-	96,733	107,693	2,073,733
2018C - Long St. Energy, 4.25-4.75%	4,939,831	-	63,282	68,640	1,457,800
2018D - Energy Bond #2, 4.56/4.71%	7,439,641	-	33,998	33,998	514,213
Total	\$ 76,276,339	\$ 1,815,000	\$ 1,773,194	\$ 3,308,165	\$ 16,296,571

⁽¹⁾ During 2018, the Trustee released the \$100,000 bond debt service reserve and assigned \$900,000 of prepaid financing payments to the Trustee to redeem the Series 2015B bonds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Future Debt Service Requirements

The following is a schedule of the future debt service requirements for the bonds issued through the COBF:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,135,000	\$ 2,137,855	\$ 3,272,855
2020	1,790,000	2,074,910	3,864,910
2021	2,975,000	1,987,226	4,962,226
2022	2,065,000	1,892,424	3,957,424
2023	4,155,000	1,794,398	5,949,398
2024 - 2028	16,535,000	6,898,977	23,433,977
2029 - 2033	11,500,000	3,917,250	15,417,250
2034 - 2038	8,695,000	1,835,533	10,530,533
2039 - 2043	4,485,000	402,766	4,887,766
Total	<u>\$ 53,335,000</u>	<u>\$ 22,941,339</u>	<u>\$ 76,276,339</u>

Significant Subsequent Event – Issuance of Series 2019B Revenue Bonds

On February 28, 2019, the Authority issued \$7,300,000 in Series 2019B revenue bonds for the purpose of assisting the Port of Greater Cincinnati Development Authority (the “Contracting Party”) in the financing of costs of acquiring, constructing, equipping, installing and improving the project facilities. In conjunction with the bond issuance, the Authority entered into a loan agreement, dated February 1, 2019, with the Contracting Party to loan the proceeds derived from the sale of the Series 2019B revenue bonds to the Contracting Party to assist in financing the project which includes refinancing a portion of original parking bonds and all the outstanding Amberly bonds. The Contracting Party has issued a \$7,300,000 non-negotiable promissory note evidencing the Contracting Party to make the financing payments that are used to repay the loan and subsequently the bonds. The Series 2019B revenue bonds bear an interest rate of 4.65% and mature on November 15, 2043. The bonds will be repaid from pledged financing payments of the Contracting Party and are payable solely from these pledged revenues.

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 the conduit financing program do not create a liability to the Authority and therefore are not presented on the Authority’s financial statements. The Authority has no responsibility for the payment of the debt issued as the repayment is supported solely by the credit of the borrowing entity (frequently enhanced with a letter of credit). Under the conduit financing program, there is no credit exposure to the Authority. The total amount of conduit debt issued and the outstanding at December 31, 2018 is \$940,543,570.

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

In 2018, the Authority continued to work with the following financing project which was not financed through the COBF or the traditional Conduit Financing program:

Pizzuti

In 2018, tax increment financing payments were received from the City of Columbus in the amount of \$161,656. In accordance with the Authority's legal agreement with Pizzuti, 75% of the funds received are held by the Authority and restricted for reinvestment in the Rickenbacker area and the remaining 25% is unrestricted. As of December 31, 2018, a total of \$1,526,671 is held by the Authority, of which \$1,145,074 is reported as restricted cash and cash equivalents and \$381,597 is reported as unrestricted cash and cash equivalents.

The Authority has recorded a \$4,881,544 pledged receivable for future revenues due from the City of Columbus in accordance with the Tax Increment Financing (TIF) agreement between the Authority, Pizzuti, and the City of Columbus. Of the total pledged receivable, 75%, or \$3,661,158, is reported as a noncurrent restricted asset while 25%, or \$1,220,386, is reported as a noncurrent unrestricted asset.

NOTE 8 - ENERGY PROGRAM AND OTHER LOANS RECEIVABLE

The Authority has issued unrestricted loans, restricted loans, and energy direct loans. The energy direct loans are issued through the Authority's energy loan program.

Energy Loan Program

The Authority has an energy loan program to finance energy improvement projects. The Authority issues direct loans to eligible borrowers to make energy improvements to owner-occupied or to investor-owned real estate projects. Upon reaching a certain threshold of direct loans, the Authority will issue energy bonds through the COBF to take-out the bundle of individual loans, to replenish the energy direct loan cash account and allow for additional energy direct loan projects to be originated by the Authority. During 2018, the Authority issued two energy bonds (see Note 5) to finance individual energy direct loans of the Authority (see Note 8). The energy bonds are secured by the accumulative repayment the energy direct loans which match the terms and repayment schedule of the energy bonds.

On February 2, 2018, the Authority entered into an escrow agreement with Huntington as escrow agent to provide a method of financing energy direct loans made under the Authority's Energy Loan Program. The Authority deposited proceeds from the Pooled Energy Efficiency Bond 1 and Pooled Energy Efficiency Bond 2 into the escrow account (the "Energy Escrow") to be used to finance energy direct loans made by the Authority. At December 31, 2018, the balance of the Energy Escrow was \$3,590,704. This amount is reported in restricted cash, cash equivalents, and investments reported on the statement of net position.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 – ENERGY PROGRAM AND OTHER LOANS RECEIVABLE - (Continued)

The Authority had the following loans receivable activity:

	Balance 12/31/17	Issued	Retired	Balance 12/31/18
Unrestricted:				
MAG	\$ 37,000	\$ -	\$ -	\$ 37,000
Trinity	467,943	-	(50,000)	417,943
Refugee Road LLC	112,000	-	(112,000)	-
Total unrestricted loans	<u>616,943</u>	<u>-</u>	<u>(162,000)</u>	<u>454,943</u>
Restricted:				
Long Street Garage	1,005,567	13,486	-	1,019,053
Energy Direct Loans:				
PNC Plaza LLC	394,417	-	(20,804)	373,613
Trivium-Worthington	340,851	-	(17,941)	322,910
Frantz Investments LLC	126,506	412,706	(25,430)	513,782
Broad Street Partners	40,847	-	(40,847)	-
Refugee Road LLC	483,864	112,000	(25,706)	570,158
Omni Blazer LLC	-	563,496	-	563,496
OH15 Dublin LLC	-	143,948	-	143,948
Worthington Hills Country Club	-	632,320	-	632,320
145 E. Rich Street	-	485,168	-	485,168
Knightsbridge Olentangy LLC	-	275,660	-	275,660
Trivium Grove City LLC	-	23,906	-	23,906
Henderson Partners LLC	-	312,695	-	312,695
145 E. Rich Street #2	-	13,000	-	13,000
Total restricted loans	<u>2,392,052</u>	<u>2,988,385</u>	<u>(130,728)</u>	<u>5,249,709</u>
Total loans	<u>\$ 3,008,995</u>	<u>\$ 2,988,385</u>	<u>\$ (292,728)</u>	<u>\$ 5,704,652</u>

MidAmerican Global Ventures, LLC

On March 17, 2014, the Authority disbursed \$100,000 to MidAmerican Global Ventures, LLC (MAG) as a loan. This loan has a repayment formula as outlined in the EB-5 Cooperative Loan Agreement and Term Sheet which states that repayment will occur from net available revenues of MAG. The Authority entered into a promissory note with MAG which has a maturity date of October 15, 2033. The Authority received no principal and \$3,000 in interest payments during 2018. The Authority does not anticipate receiving any repayment in 2019. The disbursement of the loan was made from general operating funds of the Authority. The loan receivable has been recorded as an unrestricted noncurrent asset on the statement of net position.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 – ENERGY PROGRAM AND OTHER LOANS RECEIVABLE - (Continued)

Trinity Lutheran Seminary

During 2015 and 2016, the Authority disbursed monies to Trinity Lutheran Seminary (Trinity) to finance energy improvements. An unrestricted loan receivable has been reported in the financials for loan disbursements made by the Authority to contractors. In addition, the loan balance includes bond issuance costs (net of Trinity contributions received) incurred as part of the bond issue through the COBF and the loan receivable has been reduced for any principal payments made on the loan by Trinity.

The total available to be drawn on the loan by Trinity is \$603,925. Requested draws are paid to contractors by the Authority. At December 31, 2018, the Authority has reported a loan receivable in the amount of \$417,943 for the monies disbursed. Monies used for the loan came from the unrestricted general operating account of the Authority. The loan bears an interest rate of 4.35% and is scheduled to mature in November 15, 2026. Trinity makes monthly principal and interest payments to the Authority as required by the Loan Agreement. The loan receivable has been recorded as an unrestricted noncurrent asset on the statement of net position (see Note 9).

Refugee Road LLC

On October 12, 2017, the Authority made a \$600,000 loan to 1939 Refugee Road, LLC to finance energy improvements. The Authority used \$112,000 of unrestricted monies and \$488,000 of restricted funds to make the loan. During 2018, the Authority received reimbursement (from the issuance of energy bonds) for the unrestricted monies disbursed to make the unrestricted loan and the entire loan balance is now considered restricted. The loan bears an interest rate of 6.00% and is scheduled to mature on October 12, 2032. During 2018, the Authority received \$25,706 and \$35,053 in principal and interest payments, respectively, on the loan.

Long Street Garage

On August 21, 2017, the Authority made a \$1,000,000 loan to 56 Long Street, LLC to finance the Long Street Garage Rehabilitation Project. The loan bears an interest rate of 2.00% and is scheduled to mature on August 1, 2047. Accrued but unpaid interest in the amount of \$19,053 is included in the receivable balance. The principal loaned plus capitalized interest (\$1,019,053) is considered a restricted asset and restricted net position. Principal is restricted for loans made in the City of Columbus. During 2018, the Authority received \$8,492 in interest payments while principal payments are scheduled to begin in 2019. Interest received on the loan is unrestricted. Interest earned and deposited on this loan, in the amount of \$8,492, is reported as unrestricted cash, cash equivalents, and investments and unrestricted net position on the statement of net position.

PNC Plaza LLC

On January 29, 2016, the Authority made a \$400,000 loan to NC Plaza, LLC in conjunction with the issuance of \$2,785,000 in Series 2016A revenue bonds through the COBF to finance energy improvements. The loan bears an interest rate of 4.47% and is scheduled to mature in November 15, 2031. Accrued but unpaid interest in the amount of \$14,322 is included in the receivable balance. During 2018, the Authority received \$20,804 and \$17,401 in principal and interest payments, respectively, on the loan.

Trivium - Worthington

On October 20, 2016, the Authority made a \$325,000 loan to finance Trivium Office Building energy improvements. The loan bears an interest rate of 4.50% and is scheduled to mature in November 15, 2031. Accrued but unpaid interest in the amount of \$15,851 is included in the receivable balance. During 2018, the Authority received \$17,941 and \$15,139 in principal and interest payments, respectively, on the loan.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 - ENERGY PROGRAM AND OTHER LOANS RECEIVABLE - (Continued)

Frantz Investments LLC

On October 4, 2017, the Authority made a \$546,133 loan to 1939 Frantz Investments, LLC to finance energy improvements. The loan bears an interest rate of 4.95% and is scheduled to mature on November 15, 2032. Accrued but unpaid interest in the amount of \$3,079 is included in the receivable balance. During 2018, the Authority received \$25,430 and \$26,875 in principal and interest payments, respectively, on the loan. At December 31, 2018, \$10,000 of the loan proceeds have not been disbursed and are reported in restricted cash, cash equivalents, and investments on the statement of net position.

Broad Street Partners

On October 3, 2017, the Authority made a \$1,259,500 loan to Broad Street Partners to finance energy improvements. The loan bears an interest rate of 5.00% and is scheduled to mature on November 15, 2032. Accrued but unpaid interest in the amount of \$7,347 is included in the receivable balance. During 2018, the Authority received \$58,433 and \$62,621 in principal and interest payments, respectively, on the loan. Principal payments received in excess of loans proceeds disbursed are reported as a payable from restricted assets on the statement of net position. At December 31, 2018, \$1,226,000 of the loan proceeds have not been disbursed and are reported in restricted cash, cash equivalents, and investments on the statement of net position.

Omni Blazer LLC

On August 28, 2018, the Authority made a \$847,421 loan to Omni Blazer LLC to finance energy improvements. The loan bears an interest rate of 5.50% and is scheduled to mature on November 15, 2035. Accrued but unpaid interest in the amount of \$9,969 is included in the receivable balance. Payments of principal and interest are scheduled to begin in 2019. At December 31, 2018, \$293,894 of the loan proceeds have not been disbursed and are reported in restricted cash, cash equivalents, and investments on the statement of net position.

OH15 Dublin LLC

On September 25, 2018, the Authority made a \$934,486 loan to OH15 Dublin LLC to finance energy improvements at 525 Metro Place North. The loan bears an interest rate of 5.50% and is scheduled to mature on November 15, 2030. Accrued but unpaid interest in the amount of \$7,139 is included in the receivable balance. Payments of principal and interest are scheduled to begin in 2020. At December 31, 2018, \$797,677 of the loan proceeds have not been disbursed and are reported in restricted cash, cash equivalents, and investments on the statement of net position.

Worthington Hills Country Club

On April 26, 2018, the Authority made a \$681,142 loan to Worthington Hills Country Club to finance energy improvements. The loan bears an interest rate of 5.00% and is scheduled to mature on November 15, 2030. Accrued but unpaid interest in the amount of \$18,871 is included in the receivable balance. Payments of principal and interest are scheduled to begin in 2019. At December 31, 2018, \$67,693 of the loan proceeds have not been disbursed and are reported in restricted cash, cash equivalents, and investments on the statement of net position.

145 E. Rich Street

On June 13, 2018, the Authority made a \$576,264 loan to finance energy improvements at 145 E. Rich Street. The loan bears an interest rate of 5.50% and is scheduled to mature on November 15, 2032. Accrued but unpaid interest in the amount of \$13,382 is included in the receivable balance. Payments of principal and interest are scheduled to begin in 2019. At December 31, 2018, \$104,478 of the loan proceeds have not been disbursed and are reported in restricted cash, cash equivalents, and investments on the statement of net position.

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FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 - ENERGY PROGRAM AND OTHER LOANS RECEIVABLE - (Continued)

Knightsbridge Olentangy LLC

On July 31, 2018, the Authority made a \$436,642 loan to Knightsbridge Olentangy LLC to finance energy improvements. The loan bears an interest rate of 5.50% and is scheduled to mature on November 15, 2032. Accrued but unpaid interest in the amount of \$7,005 is included in the receivable balance. Payments of principal and interest are scheduled to begin in 2019. At December 31, 2018, \$167,987 of the loan proceeds have not been disbursed and are reported in restricted cash, cash equivalents, and investments on the statement of net position.

Trivium Grove City LLC

On July 10, 2018, the Authority made a \$448,500 loan to Trivium Grove City LLC to finance energy improvements. The loan bears an interest rate of 5.00% and is scheduled to mature on November 15, 2029. Accrued but unpaid interest in the amount of \$7,786 is included in the receivable balance. Payments of principal and interest are scheduled to begin in 2019. At December 31, 2018, \$432,380 of the loan proceeds have not been disbursed and are reported in restricted cash, cash equivalents, and investments on the statement of net position.

Henderson Partners LLC

On October 24, 2018, the Authority made a \$940,767 loan to Henderson Partners LLC to finance energy improvements at 4400 N. High Street. The loan bears an interest rate of 5.00% and is scheduled to mature on November 15, 2037. Accrued but unpaid interest in the amount of \$2,744 is included in the receivable balance. Payments of principal and interest are scheduled to begin in 2020. At December 31, 2018, \$630,816 of the loan proceeds have not been disbursed and are reported in restricted cash, cash equivalents, and investments on the statement of net position.

145 E. Rich Street #2

On December 18, 2018, the Authority made a \$210,598 loan to finance additional energy improvements at 145 E. Rich Street. The loan bears an interest rate of 5.50% and is scheduled to mature on November 15, 2032. Payments of principal and interest are scheduled to begin in 2020. At December 31, 2018, \$197,598 of the loan proceeds have not been disbursed and are reported in restricted cash, cash equivalents, and investments on the statement of net position.

NOTE 9 - MANUSCRIPT BONDS

On April 23, 2015, the Authority issued \$655,000 in Series 2015A revenue bonds. Principal and interest payments began on November 15, 2015 and are due May 15 and November 15 of each year. The bonds bear an interest rate of 4.35%. These bonds were both issued and purchased by the Authority.

In accordance with the bond indenture, certain bond proceeds were used to fund various accounts with a trustee. The balance of the amounts held by the trustee at December 31, 2018 was \$1,468. This amount is reported as restricted cash and cash equivalents on the statement of net position. In addition, the Authority had \$72,057 in cash and cash equivalents held by the trustee which are considered unrestricted cash and cash equivalents as unrestricted operating funds were used to deposit the monies with the trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 - MANUSCRIPT BONDS - (Continued)

The Authority has pledged the loan payments derived from a Loan Agreement between the Authority and Trinity to secure repayment of the Series 2015A revenue bonds. During 2017, the Loan Agreement was assigned from Trinity to Capital University, an Ohio nonprofit corporation. The bonds are payable solely from these pledged revenues.

On a GAAP basis, the manuscript debt is reported as an internal transaction rather than as an investment (asset) and bond payable (liability). As such, the investment (asset) and bond payable (liability) are eliminated for reporting on the statement of net position. In addition, pledged revenues, fiscal charges and interest expense related to the manuscript debt has been eliminated on the statement of revenues, expenses and changes in net position and on the statement of cash flows.

NOTE 10 - OHIO DEVELOPMENT SERVICES AGENCY (ODSA) LOAN

On May 8, 2007, the Authority received a \$2,500,000 loan from the ODSA. The loan proceeds were deposited into the COBF reserve account. The loan has a 20-year term, matures on June 1, 2027 and bears a 0% interest rate. The loan does charge an annual service fee of .25% based upon the outstanding balance of the loan. Payments of principal and the servicing fees are made each June 10. Loan principal payments are paid from restricted operating funds of the Authority and loan servicing fees are paid from unrestricted operating funds of the Authority. The following is a schedule of the ODSA loan activity in fiscal year 2018:

	Balance 12/31/17	Issued	Retired	Balance 12/31/18
State loan payable	\$ 1,806,000	\$ -	\$ (50,500)	\$ 1,755,500

The Authority will repay the ODSA loan using interest earnings on the investments purchased with the loan proceeds. The Authority is only required to remit interest earned as repayment. Since repayment is contingent upon interest earnings which fluctuate annually, an amortization schedule for repayment the ODSA loan is not presented.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Authority received a \$1,500,000 grant from Franklin County to support energy loans for various projects. In addition, the Authority received a \$628,684 energy loan loss reserve grant from the ODSA restricted for use in the Authority's energy programs.

NOTE 12 - DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the Member-Directed Plan and the Combined Plan, all Authority employees are members in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority's contractually required contribution for the Traditional Pension Plan was \$39,992 for 2018. Of this amount, \$2,438 is reported as accrued salaries and benefits payable.

**COLUMBUS-FRANKLIN COUNTY FINANCE AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for the OPERS Traditional Pension Plan was measured as of December 31, 2017, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. Following is information related to the proportionate share and pension expense:

	OPERS
Proportion of the net pension liability prior measurement date	0.00168200%
Proportion of the net pension liability current measurement date	0.00192200%
Change in proportionate share	0.00024000%
Proportionate share of the net pension liability	\$ 301,474
Pension expense	77,053

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred outflows of resources	
Differences between expected and actual experience	\$ 307
Changes of assumptions	36,029
Changes in employer's proportionate percentage/ difference between employer contributions	25,621
Authority contributions subsequent to measurement date	39,992
Total deferred outflows of resources	\$ 101,949
Deferred inflows of resources	
Differences between expected and actual experience	\$ 5,940
Net difference between projected and actual earnings on pension plan investments	64,723
Changes in employer's proportionate percentage/ difference between employer contributions	2,841
Total deferred inflows of resources	\$ 73,504

\$39,992 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2019	\$ 37,660
2020	5,889
2021	(28,499)
2022	(26,595)
2023	(2)
Total	\$ (11,547)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.20 %
Domestic equities	19.00	6.37
Real estate	10.00	5.26
Private equity	10.00	8.97
International equities	20.00	7.88
Other investments	18.00	5.26
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	\$ 535,342	\$ 301,474	\$ 106,500

NOTE 13 - DEFINED BENEFIT OPEB PLAN

Net Other Postemployment Benefits (OPEB) Liability

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. The application of this GASB pronouncement restated beginning net position as further described in Note 15.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLAN - (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLAN - (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority did not make any contributions to OPERS to fund health care in 2018.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>
Proportion of the net OPEB liability prior measurement date	0.00168200%
Proportion of the net OPEB liability current measurement date	<u>0.00179300%</u>
Change in proportionate share	<u>0.00011100%</u>
Proportionate share of the net OPEB liability	\$ 194,692
OPEB expense	\$ 21,885

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLAN - (Continued)

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred outflows of resources	
Differences between expected and actual experience	\$ 151
Changes of assumptions	14,176
Changes in employer's proportionate percentage/ difference between employer contributions	5,667
Total deferred outflows of resources	\$ 19,994
 Deferred inflows of resources	
Net difference between projected and actual earnings on pension plan investments	\$ 14,503

The Authority did not report any amounts as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date, therefore, none will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
Year Ending December 31:	
2019	\$ 5,933
2020	5,933
2021	(2,750)
2022	(3,625)
Total	\$ 5,491

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLAN - (Continued)

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLAN - (Continued)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLAN - (Continued)

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	\$ 258,657	\$ 194,692	\$ 142,945

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	\$ 186,279	\$ 194,692	\$ 203,383

NOTE 14 - RISK MANAGEMENT

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLES

For 2018, the Authority has implemented GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 resulted in a restatement to net position as previously reported, effected the Authority’s postemployment benefit plan disclosures as presented in Note 13 to the basic financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

A net position restatement is required in order to implement GASB Statement No 75. The net position at January 1, 2018 has been restated as follows:

Net position as previously reported	\$ 20,407,769
Deferred outflows - payments	
subsequent to measurement date	2,572
Net OPEB liability	<u>(169,888)</u>
Restated net position at January 1, 2018	<u>\$ 20,240,453</u>

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, “Leases”, which addresses accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority’s financial statements for the year ending December 31, 2020.

In March 2018, the GASB issued Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements”, to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This statement also clarifies which liabilities governments should include when disclosing information related to debt. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority’s financial statements for the year ending December 31, 2019.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Traditional Plan:</i>				
Authority's proportion of the net pension liability	0.001922%	0.001682%	0.001747%	0.001679%
Authority's proportionate share of the net pension liability	\$ 301,474	\$ 381,999	\$ 302,640	\$ 202,450
Authority's covered payroll	\$ 257,192	\$ 218,767	\$ 204,400	\$ 208,825
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	117.22%	174.61%	148.06%	96.95%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	77.25%	81.08%	86.45%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Authority's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014

0.001679%

\$ 197,877

\$ 175,308

112.87%

86.36%

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF AUTHORITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SIX YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 39,992	\$ 33,435	\$ 26,252	\$ 24,528
Contributions in relation to the contractually required contribution	<u>(39,992)</u>	<u>(33,435)</u>	<u>(26,252)</u>	<u>(24,528)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 285,657	\$ 257,192	\$ 218,767	\$ 204,400
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>
\$ 25,059	\$ 22,790
<u>(25,059)</u>	<u>(22,790)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 208,825	\$ 175,308
12.00%	13.00%

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	2018	2017
Authority's proportion of the net OPEB liability	0.001793%	0.001682%
Authority's proportionate share of the net OPEB liability	\$ 194,692	\$ 169,888
Authority's covered payroll	\$ 257,192	\$ 218,767
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	75.70%	77.66%
Plan fiduciary net position as a percentage of the total OPEB liability	77.25%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Authority's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF AUTHORITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SIX YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ 2,572	\$ 4,375	\$ 4,088
Contributions in relation to the contractually required contribution	<u>-</u>	<u>(2,572)</u>	<u>(4,375)</u>	<u>(4,088)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 285,657	\$ 257,192	\$ 218,767	\$ 204,400
Contributions as a percentage of covered payroll	0.00%	1.00%	2.00%	2.00%

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>
\$ 4,117	\$ 1,868
<u>(4,117)</u>	<u>(1,868)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 208,825	\$ 175,308
1.97%	1.07%

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.

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

Independent Auditor's Report

To Management and the Board of Directors
Columbus-Franklin County Finance Authority

We have audited, 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, the financial statements of Columbus-Franklin County Finance Authority (the "Authority"), as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

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Columbus-Franklin County Finance Authority

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

April 1, 2019