PINNACLE COMMUNITY
INFRASTRUCTURE FINANCING AUTHORITY
Franklin County

Financial Statements and
Independent Auditor's Reports

For the Fiscal Years Ended
December 31, 2008 and 2007

Kennedy
Cottrell
Richards

Mary Taylor, CPA
Auditor of State

Board of Trustees
Pinnacle Community Infrastructure Financing Authority
6760 Alexander Bell , Suite 220
Columbia, Maryland 21046

We have reviewed the *Independent Auditor's Report* of the Pinnacle Community Infrastructure Financing Authority, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Pinnacle Community Infrastructure Financing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 14, 2009

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PINNACLE COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
FRANKLIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pinnacle Community Infrastructure Financing Authority

We have audited the accompanying basic financial statements of the Pinnacle Community Infrastructure Financing Authority, Franklin County, Ohio (the Authority), as of and for the years ended December 31, 2008 and December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Pinnacle Community Infrastructure Financing Authority, Franklin County, Ohio, as of December 31, 2008 and December 31, 2007, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2009 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards
September 25, 2009

The Management's Discussion and Analysis of the Pinnacle Community Infrastructure Financing Authority, Franklin County, Ohio, (the "Authority") financial performance provides an overall review of the Authority's financial activities for the years ended December 31, 2008 and 2007. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority encourages the orderly development of a well-planned, diversified community of approximately 588 acres in Franklin County, including the City of Grove City.
2. Net Deficit at December 31, 2008, totaled $(12,681,611) due wholly to the donation of capital assets. Net Assets at December 31, 2007 totaled $1,079,709, representing an increase from the previous fiscal year.
3. The Authority previously incurred $14,815,000 in community facility bonds on August 10, 2004. The Authority's debt will be paid through the collection of community development charges imposed on the chargeable properties benefiting from the capital asset.
4. In 2008, capital assets were donated to the appropriate public entity; therefore, the costs associated with those assets were expensed. Capital Assets at December 31, 2007 were $13,942,143, representing an increase from the previous fiscal year end.
5. In fiscal years 2008 and 2007, the Authority assessed Community Development Charges totaling $1,090,000 and $1,080,000, respectively.

Overview of the Financial Statements

This annual report consists of two parts – Management's Discussion and Analysis and the basic financial statements consisting of a *Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows;* and related footnotes. The Statement of Net Assets represents the financial position of the Authority and provides information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

Comparative Financial Statements

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets include all assets, liabilities, revenues and expenses using the accrual basis of accounting, similar to accounting used by most private-sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 4 and 5 of this report.

The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 6 of this report.

Summary Statement of Net Assets

The table below provides a summary of the Authority's net assets for the fiscal years ended December 31, 2008 and 2007.

	2008	2007	2006 *
Assets:			
Current and Other Assets	$ 2,918,101	$ 3,939,612	$ 4,458269
Capital Assets	-	13,942,143	13,121,446
Total Assets	2,918,101	17,881,755	17,266,290
Liabilities:			
Current Liabilities	1,373,712	2,368,046	2,285,078
Long Term Liabilities	14,226,000	14,434,000	14,815,000
Total Liabilities	15,599,712	16,802,046	17,100,078
Net Assets:			
Unrestricted	(12,681,611)	1,079,709	(147,213)
Total Net Assets	$ (12,681,611)	$ 1,079,709	$ (147,213)

* Capital assets and unrestricted net assets balances has been restated as a result of capital improvements from 2005 and 2006 that were unknown until 2008, when the costs were requisitioned in the amount of $216,148.

For 2007, the decrease in current and other assets and correlating increase in capital assets are the result of the Authority's infrastructure improvements. All improvements were donated to the appropriate public entity upon completion in 2008.

Summary Statement of Revenues, Expenses, and Changes in Net Assets

The table below reflects the changes in net assets for the fiscal years ended December 31, 2008 and 2007.

	2008	2007	2006
Operating Revenue	$ 1,101,484	$ 1,077,408	$ -
Operating Expenses	(46,154)	(54,150)	(25,334)
Non-Operating Revenue/(Expenses)			
Earning on Investments	37,779	-	143,308
Interest Expense	(676,515)	(89,174)	(89,173)
Amortization Expense	(22,149)	(20,587)	-
Total Non-Operating Revenue/(Expenses)	(660,885)	(109,761)	54,135
Donated Capital Assets	(14,155,765)	-	-
Change in Net Assets	$ (13,761,320)	$ 913,497	$ 28,801

Net Assets decreased in 2008 primarily due to the Authority's donation of capital assets. Net assets increased in 2007 due to the collections of Community Development Charges and earnings on investments partially offset by the Authority's operating expenses, bond interest payments, and charges for amortization.

Budgeting

The Authority is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets

All infrastructure assets are capitalized. The Authority does not depreciate the capital assets that will be donated as completed. The Authority's capital asset additions were $213,622 and $917,974 during the fiscal years 2008 and 2007, respectively.

The Authority's capital assets were completed in 2008 and subsequently donated to the appropriate entity.

Debt

The Authority issued Community Facilities Bonds totaling $14,815,000 to construct and acquire community facilities, which include a community center, community recreation improvements, entry monumentation, landscaping and signage, water and sewer facilities, storm water management features, roadways and traffic control improvements. The debt service will be paid annually by the revenue received from the Community Development Charges. Accrued interest in excess of the cash available from Community Development Charges will be added to the principal.

Current Issues

The Pinnacle Club golf course opened during the summer of 2006. Construction of homes and sale of lots is still ongoing. Condominium Pod I and J were sold to Mews at Pinnacle Club LLC and Cottages at Pinnacle LLC, respectively. As of December 31, 2008, at least 489 building permits have been issued, and 317 homes have closed and are currently occupied.

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Authority's administrator, MuniCap, Inc., 6760 Alexander Bell Drive, Suite 220, Columbia, Maryland 21046.

PINNACLE COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
FRANKLIN COUNTY, OHIO
STATEMENT OF NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,171,747	$ 2,184,924
Interest receivable	3,082	21,630
Community development charges receivable	1,124,954	1,092,592
Total Current Assets	2,299,783	3,299,146
Noncurrent Assets		
Capital assets	-	13,942,143
Deferred bond issuance costs	618,318	640,466
Total Noncurrent Assets	618,318	14,582,609
TOTAL ASSETS	2,918,101	17,881,755
LIABILITIES & NET ASSETS		
Liabilities		
Current Liabilities		
Accounts payable	1,463	850
Accrued liabilities	-	313,425
Bond interest payable	74,249	75,179
Retainage payable	-	690,000
Deferred revenue	1,090,000	1,092,592
Debt due in less than one year	208,000	196,000
Total Current Liabilities	1,373,712	2,368,046
Long Term Liabilities		
Debt due in more than one year	14,226,000	14,434,000
Total Long Term Liabilities	14,226,000	14,434,000
Total Liabilities	15,599,712	16,802,046
Net Assets (Deficit)		
Unrestricted	(12,681,611)	1,079,709
Total Net (Deficit) Assets	(12,681,611)	1,079,709
TOTAL LIABILITIES & NET ASSETS	$ 2,918,101	$ 17,881,755

The accompanying notes to the financial statements are an intergral part of this statement.

PINNACLE COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
FRANKLIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Operating Revenues		
Community development charges	$ 1,096,888	$ 1,077,408
Delinquency fees	4,596	-
Total Operating Revenues	1,101,484	1,077,408
Operating Expenses		
Accounting and audit fees	3,630	13,520
Consulting fees	32,554	33,947
Legal fees	6,964	6,683
Insurance expense	3,006	-
Total Operating Expenses	46,154	54,150
Operating Income	1,055,330	1,023,258
Non-Operating Revenues (Expenses)		
Interest and dividend revenues	37,779	-
Interest expense	(676,515)	(89,174)
Amortization expense	(22,149)	(20,587)
Total Non-Operating Revenues (Expenses)	(660,885)	(109,761)
Donated Capital Assets	(14,155,765)	-
Change in Net Assets	(13,761,320)	913,497
Net Assets, Beginning of Year	1,079,709	166,212
Net Assets, End of Year	$ (12,681,611)	$ 1,079,709

The accompanying notes to the financial statements are an integral part of this statement.

PINNACLE COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Cash Flows from Operating Actvities		
Cash receipts for community development charges	$ 1,066,530	$ 1,077,408
Cash payments for accounting and audit fees	(7,100)	(16,990)
Cash payments for consulting fees	(28,470)	(33,282)
Cash payments for legal fees	(6,964)	(9,308)
Cash payments for insurance	(3,006)	-
Net Cash Provided By Operating Activities	1,020,990	1,017,828
Cash Flows from Investing Activities		
Interest and dividends received	68,920	63,597
Net Cash Provided by Investing Activities	68,920	63,597
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,004,137)	(514,667)
Principal and interest paid on bonds	(1,098,950)	(1,099,050)
Net Cash Used in Capital and Related Financing Activities	(2,103,087)	(1,613,717)
Net Decrease in Cash	(1,013,177)	(532,292)
Cash, Beginning of Year	2,184,924	2,717,216
Cash, End of Year	$ 1,171,747	$ 2,184,924
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	$ 1,055,330	$ 1,023,258
Adjustments		
Increase in community development charges receivable	(32,361)	(12,592)
Increase (Decrease) in accounts payable	613	(5,430)
(Decrease) Increase in deferred revenue	(2,592)	12,592
Net Cash Provided By Operating Activities	$ 1,020,990	$ 1,017,828
Capital and Related Financing Activities that do not affect Cash		
Donated capital improvements	$ 14,155,765	$ -

The accompanying notes to the financial statements are an integral part of this statement.

NOTE 1 – REPORTING ENTITY

The Pinnacle Community Infrastructure Financing Authority, Franklin County, Ohio (the "Authority") is a "community authority" created pursuant to Chapter 349 of the Ohio Revised Code (the "Act"). On February 12, 2004, M/I Homes of Central Ohio and the Pinnacle Development Company of Grove City (collectively, the "Developer") filed a petition (the "Petition") for creation of the Authority with the Board of County Commissioners of Franklin County, Ohio. The Petition, which may be subject to amendment or change, allows the Authority to finance the costs of publicly owned and operated community facilities with assessed Community Development Charges. In accordance with the Act, the Petition was accepted by the County Commissioner's Resolution No. 275-04 and approved March 30, 2004. By its Resolution, the County Commissioners determined that the new community district would be conducive to the public health, safety, convenience and welfare, and that it was intended to result in the development of a new community as described in the Act. The Authority thereby organized as a body corporate and politic in the State.

On August 6, 2004, a "Declaration of Covenants and Restrictions for the Authority" (the "Declaration") was filed by the Developers with the Franklin County Recorder under the Act placing, among other things, a "Community Development Charge" on the property within the boundaries of the Pinnacle Community Infrastructure Financing District (the "District") to cover all or part of the cost of the acquisition, development, construction, operation and maintenance of land, "Community Land Development", and "Community Facilities", and all other costs incurred by the Authority in the exercise of its powers pursuant to the Act, including without limitation the reimbursement of loans, advances or expenditures made to or by the Developer for such purposes.

The Pinnacle Community Infrastructure Financing Authority, (Grove City, Ohio) Community Facility Bonds Series 2004A were issued pursuant to a Master Trust Agreement by and between the Authority and the Huntington National Bank (the "Trustee"), dated as of July 15, 2004 and a limited offering memorandum for the bonds dated August 4, 2004. Bond proceeds in the amount of $6,846,000 are to be used to construct the public improvements of the residential section known as Part I and bonds in the amount of $4,000,000 are to be used for construction of the storm sewer project known as Part II. Part I of the development, which is known as the Residential Project, is being undertaken by the M/I Homes. Pinnacle Development Company is in charge of Part II of the development, which is also referred to as the Storm Sewer Project.

The Authority consists of approximately 588 acres of land in the City of Grove City, Ohio, which is in southwestern Franklin County and is located east of Interstate 71 and south of the Stringtown Road interchange. The District is located approximately seven miles from downtown Columbus, Ohio, and approximately twenty miles from Port Columbus International Airport. The property in the District is being developed as a planned unit development ("PUD") encompassing a 201-acre, 18-hole golf course, and a residential community, comprising approximately 1,594 homes. Other planned amenities include a community center, swimming pool, tennis courts and a clubhouse. The planned mix of units includes estate homes, single-family homes, town homes, and cluster home condominiums. At inception, M/I Homes had estimated that the residential property would be sold out by the year 2011 and that the golf course would be open not later than the summer of 2006. The golf course opened in the summer of 2006 as planned.

Land within the District was initially owned by nine separate entities. Pursuant to the Acquisition Agreements, this land has been transferred to Jim Hendrix, Joseph Ciminello and JBJ Venture (collectively, the "Assignors"). On November 5, 2003, the Assignors entered into an Agreement of Sale and Assignment of Purchase Contract (the "Purchase Agreement") with M/I Homes. Under this Purchase Agreement, M/I Homes agreed to purchase and assume the rights of the Assignors to acquire the district lands pursuant to

NOTE 1 – REPORTING ENTITY (Continued)

the Acquisition Agreement. The Purchase Agreement allocated certain development rights and obligations relating to the district lands between M/I Homes and the Assignors. The Assignors subsequently designated Pinnacle Development to carry out their development rights and obligations under the Purchase Agreement.

The Authority is governed by a seven-member Board of Trustees. The Franklin County Board of Commissioners, a related organization, appoints four of the Trustees, three of whom are citizen members, to represent the interest of present and future residents of the community district, and one of whom is a representative of local government. The remaining three Trustees are appointed by the Developer. All Trustees are empowered to vote on all matters within the authority of the Board of Trustees, and no vote by a member appointed by the Developer shall be construed to give rise to civil or criminal liability for conflict of interest on the part of public officials. A schedule established by the Franklin County Board of County Commissioners provides for the trustee citizen members appointed by the Franklin County Board of County Commissioners to be replaced by elected citizen members each time the District gains its one-sixth of its projected total population up until such time as all of the appointed members are replaced. A similar schedule established by the Franklin County Board of County Commissioners provides for replacement of trustees appointed by the Developer by elected citizen members each time the District gains one-third of its projected total population up until such time as all the Developer's appointed members are replaced.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. The policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Authority also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

A. Basis of Presentation

The Authority's basic financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. The Authority uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

B. Measurement Focus and Basis of Accounting

The Authority's financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs.

Net Assets are segregated into Invested in Capital Assets, Net of Related Debt, Restricted, and Unrestricted components, if applicable.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, and measurement focus relates to the timing of the measurements made.

The Authority uses the accrual basis of accounting and the flow of economic resources measurement focus for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Cash and Investments

Cash received by the Authority is deposited with a financial institution or invested. Deposits and investments having an original maturity of three months or less at the time they are purchased are presented in the financial statements as Cash and Cash Equivalents. Investments with an initial maturity of more than three months are reported as Investments. Investments were limited to money market funds and repurchase agreements.

D. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets will be recorded at their fair market value on the date that they will be donated. The Authority does not maintain a capitalization threshold as all infrastructure assets are capitalized. The Authority does not depreciate capital assets that will be donated upon completion/acquisition.

E. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are community development charges. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the Authority. All revenues and expenses not meeting this definition are reported as non-operating.

G. Use of Estimates

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

NOTE 3—DEPOSITS AND INVESTMENTS

Cash received by the Authority is deposited with a financial institution or invested. Deposits and investments having an original maturity of three months or less at the time they are purchased are presented in the financial statements as Cash and Cash Equivalents. Investments with an initial maturity of more than three months are reported as Investments.

State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority treasury, in commercial accounts payable or withdraw-able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, pass book accounts.

Interim deposits are deposits of interim monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

State statute permits interim monies to be deposited or invested in the following securities:

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

The Authority may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio,
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the Authority.

NOTE 3—DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits
Custodial Credit Risk – Deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority had no deposits at December 31, 2008 and 2007.

Investments
As of December 31, 2008 and 2007, the authority had the following investments and maturities all with initial maturities of six months or less:

	2008	Rating	2007
US Treasury money market funds	72,037	AAAm	1,085,214
Repurchase agreement	1,099,710	Not rated	1,099,710
Total cash and cash equivalents	$ 1,171,747		$ 2,184,924

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. The Authority does not have a policy to limit its exposure to interest rate risk; however, the Authority's investments in money market funds are withdraw-able on demand.

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Trust Indenture specifies that investment providers must have a rating of at least "AA-" by S&P or "Aa3" by Moody's.

Concentration of credit risk can also arise by failing to adequately diversify investments. The Authority places no limits on the amount that may be invested in any one issuer.

NOTE 4—COMMUNITY DEVELOPMENT CHARGES

Community Development Charges ("Charge") are payments to be levied on the property in the District pursuant to a Declaration of Covenants and Restrictions (the "Declaration") filed by the Authority under Sections 349.06(Q) and 349.07 of the Ohio Revised Code. This Declaration, which was filed and recorded with the Franklin County Recorder on August 9, 2004, created covenants running with the land and established the obligation of current and future landowners to pay the Charge. This obligation is subject to certain maximum Charge limits as set out in the Declaration. The Charge will generally be collected in the same manner as real property taxes.

NOTE 4—COMMUNITY DEVELOPMENT CHARGES (Continued)

A uniform Charge is to be collected each year based on the acreage of each chargeable parcel. An aggregate maximum sub-area charge is specified in Section 5.2 of the Declaration. This charge is dependent on the estimated acreage of property in each sub-area in the District. An annual charge is to be collected from the chargeable property within the Authority each year in an amount equal to the "Annual Revenue Requirement".

The annual revenue requirement is defined in Section 2.05 of the Declaration as an amount equal to:

> (A) the amount required in any year to pay: (i) debt service and other periodic costs (including deposits to any sinking funds) on the Bonds to be paid from the Charge collected in such year, (ii) administrative expenses to be incurred in the year or incurred in any previous year and not paid by the Authority, (iii) any amount required to replenish any reserve fund established in association with the Bonds, (iv) an amount equal to the estimated delinquencies expected in payment of the Charges, and (v) the costs of remarketing, credit enhancement, bond insurance, and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash), less (B) (i) any credits available pursuant to the Trust Agreement, such as capitalized interest and investment earning on any account balances, and (ii) any other revenues available to apply to the annual revenue requirement.

Community Development Charges are to be imposed proportionately on each parcel of chargeable property in an amount up to the maximum charge for such chargeable parcel to the extent necessary to fund the annual revenue requirement. For the fiscal years ended December 31, 2008 and 2007, the annual revenue requirements were $1,090,000 and $1,080,000, respectively. Charges totaling $1,066,530 and $1,077,408 were collected in 2008 and 2007, respectively.

NOTE 5—RECEIVABLES

Receivables at December 31, 2008 and 2007 consisted of interest on investments and Community Development Charges. All receivables are considered collectible in full within one year.

NOTE 6—CAPITAL ASSETS

During fiscal year 2004, the Authority began constructing both the Residential Portion and the Storm Sewer Portion of the facilities. The Residential Project was constructed by M/I Homes LLC, and the Storm Sewer Project was constructed by Pinnacle Development Company.

All capital assets were completed in 2008 and conveyed to the appropriate public entity.

The Authority's capital asset activity for the years ended December 31, 2008 and 2007 was as follows:

	Balance January 1, 2008	Additions	Donation of Capital Assets	Balance December 31, 2008
2008				
Nondepreciable Capital Assets				
Construction in Progress	$ 11,161,078	$ 709	$(11,161,787)	$ -
Capitalized Financing Costs	2,781,065	212,913	(2,993,978)	-
Total Capital Assets	$ 13,942,143	$ 213,622	$ (14,155,765)	$ -

NOTE 6—CAPITAL ASSETS (Continued)

	Balance January 1, 2007*	Additions	Reductions	Balance December 31, 2007
2007				
Nondepreciable Capital Assets				
Construction in Progress	$ 11,057,934	$ 103,144	$ -	$ 11,161,078
Capitalized Financing Costs	1,966,235	814,830		2,781,065
Total Capital Assets	$ 13,024,169	$ 917,974	$ -	$ 13,942,143

* Balance, January 1, 2007 of Construction in Progress has been restated as a result of unknown capital improvements from 2005 and 2006 that were not requisitioned until 2008 in the amount of $216,148.

NOTE 7—LONG-TERM OBLIGATIONS

The Authority's long-term obligations activity for the years ended December 31, 2008 and 2007 was as follows:

Community Facilities Fixed Term Bonds	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2008					
Series 2004A Term 2022	$ 4,570,000		$ (196,000)	$ 4,374,000	$ 208,000
Series 2004A Term 2036	10,060,000			10,060,000	
	$ 14,630,000	$ -	$ (196,000)	$ 14,434,000	$ 208,000
2007					
Series 2004A Term 2022	$ 4,755,000		$ (185,000)	$ 4,570,000	$ 196,000
Series 2004A Term 2036	10,060,000			10,060,000	
	$ 14,815,000	$ -	$ (185,000)	$ 14,630,000	$ 196,000

A. Community Facilities Bonds, Series 2004

On August 14, 2004, the Authority issued $14,815,000 in Community Facilities Bonds Series 2004A, for the purpose of providing funds to acquire community facilities. These bonds constitute two term bonds, Term 2022 Bonds and Term 2036 Bonds. The interest rate on the Term 2022 and Term 2036 bonds is 6.00% and 6.25%, respectively. Interest on the Bonds is paid on June 1 and December 1 of each year. Principal payments on the Bonds are due each December 1 from mandatory sinking fund redemption. Interest is calculated based on a year of 360 days.

B. Debt Service to Maturity

The Series 2004A Bonds are also subject to mandatory sinking fund redemption, extraordinary mandatory redemption, and optional redemption as follows:

C. Mandatory Sinking Fund Redemption

The Series 2004A Bonds are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Series. That mandatory redemption is

NOTE 7—LONG-TERM OBLIGATIONS (Continued)

to occur on December 1 in each of the years 2007 through 2036 at a redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the schedule below (including the amount of Series 2004A Bonds redeemed at maturity):

	Term 2022 Bonds 6.0% $4,755,000		**Term 2036 Bonds 6.25% $10,060,000**	
Year ending December 31:	Principal	Interest	Principal	Interest
2009	208,000	262,440	-	628,750
2010	221,000	249,960	-	628,750
2011	234,000	236,700	-	628,750
2012	248,000	222,660	-	628,750
2013	263,000	207,780	-	628,750
2014-2018	1,569,000	782,700	-	3,143,750
2019-2023	1,631,000	251,760	470,000	3,143,750
2024-2028	-	-	2,831,000	2,664,375
2029-2033	-	-	3,834,000	1,661,875
2034-2036	-	-	2,925,000	373,063
Total	4,374,000	2,214,000	10,060,000	9,431,250

D. Extraordinary Mandatory Redemption

The Bonds are subject to extraordinary mandatory redemption prior to maturity by the Authority in whole, on any date, or in part, on any Interest Payment Date, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued to the redemption date, as follows:

i. from moneys on deposit in the Series 2004A Debt Service Account upon the prepayment in whole or in part of any Community Development Charges pursuant to Section 5.04 of the Declaration, including excess moneys transferred from the Series 2004A Reserve Fund;

ii. from moneys on deposit in the Series 2004A Debt Service Account resulting from the transfer from the Series 2004A Project Account on or after the Termination Date, including excess moneys transferred from the Series 2004A Reserve Fund;

iii. from moneys on deposit in the Series 2004A Debt Service Account following condemnation by, or the sale of any portion of the Series 2004A Project to, a governmental Person under threat of condemnation by such governmental Person, including excess moneys transferred from the Series 2004A Reserve Fund; and

iv. from moneys on deposit in the Series 2004A Debt Service Account following damage or destruction of all or substantially all of the Series 2004A Project and the determination by the Authority that the repair and restoration of the Series 2004A Project would not be economical or would be impracticable, including excess moneys transferred from the Series 2004A Reserve Fund.

NOTE 7—LONG-TERM OBLIGATIONS (Continued)

E. Optional Redemption

The Bonds are also subject to optional prior redemption on or after December 1, 2014 by and at the sole option of the Authority, either in whole or in part (as selected by the Authority) on any date and in integral multiples of $1,000, at the percentage of par specified below plus accrued interest to the redemption date.

Date	Percentage of Par
On or after December 1, 2014	101%
On or after December 1, 2015	100%

NOTE 8—RELATED PARTY TRANSACTIONS

The petition for creation of the Authority pursuant to Chapter 349 of the Ohio Revised Code was filed with the Franklin County Commissioners by M/I Homes of Central Ohio and the Pinnacle Development Company of Grove City (collectively, the “Developer”). Three of the seven Authority Board members are comprised of individuals appointed by the Developer based on the County Commissioner’s Resolution and Chapter 349 of the Ohio Revised Code.

Land within the District was initially owned by nine separate entities. Pursuant to the Acquisition Agreements, this land has been transferred to Jim Hendrix, Joseph Ciminello and JBJ Venture (collectively, the “Assignors”). On November 5, 2003, the Assignors entered into an Agreement of Sale and Assignment of Purchase Contract (the “Purchase Agreement”) with M/I Homes. Under this Purchase Agreement, M/I Homes agreed to purchase and assume the rights of the Assignors to acquire the district lands pursuant to the Acquisition Agreement. The Purchase Agreement allocated certain development rights and obligations relating to the district lands between M/I Homes and the Assignors. The Assignors subsequently designated Pinnacle Development to carry out their development rights and obligations under the Purchase Agreement. Some of the land in the Authority is to be sold to additional developers by the Developer.

The Authority had Infrastructure Acquisition and Construction Agreements, which are dated July 15, 2004, with the Developer to acquire and construct certain community facilities within the District. Under these agreements, the Developer selected contractors and signed contracts for the construction of the Authority’s infrastructure. Payments to contractors by the Authority were made directly with contractors or to the Developer who then paid the contractors. The Developer supervised and approved all construction work. Prior to payment of draws, an independent inspector was required to sign off on work completed before the Authority could approve draws to be paid by the trustee. Payments to M/I Homes totaled $922,756 and $514,666 in 2008 and 2007, respectively. Payments to Pinnacle Development totaled $81,377 in 2008. There were no payments to Pinnacle Development in 2007.

On July 15, 2004, the Authority signed a Lease Agreement with the Pinnacle Club Homeowner’s Association Inc. to acquire, construct, and install certain improvements and personal property on the tract of land measuring 8.143 acres and situated in Grove City, Franklin County, Ohio. This tract is located in Virginia Military Survey Number 478 and 6840 and being part of the 209.152 acre tract conveyed to M/I Homes of Central Ohio, LLC by deed of record in Instrument Number 00405260121580, (all references refer to the records of the Recorder’s Office, Franklin County, Ohio) within the Authority. Under this lease agreement, the Authority covenanted to construct and install an 8,000 square foot multi-purpose facility (Community Center), including two tennis courts, a 25-meter swimming pool, and an outdoor multipurpose court. The building would include an aerobics workout room, a health and fitness room, a children’s activity room, locker rooms, and office space. Additional exterior improvements include improved parking, landscaping, and other necessary improvements. The personal property located within the Community Center consists of exercise equipment, sports equipment, office furniture, carpeting and

NOTE 8—RELATED PARTY TRANSACTIONS (Continued)

window treatments and computers. The Pinnacle Club Homeowners' Association, Inc. subsequently signed a Base Lease Agreement with the Authority for the operation and maintenance of the Community Center. This property has been donated to the Pinnacle Club Homeowners' Association, Inc.

On July 1, 2004, the Authority signed an Administrative Services Agreement with MuniCap, Inc. as the Administrator. MuniCap, Inc. will assist the Authority with administration of the District. The Administrator's services include calculation of the annual Community Development Charge, delinquency management, rebate calculations, continuing disclosure, and property owner liaison.

On August 1, 2004, the Authority issued $14,815,000 in Community Facilities Bonds, Series 2004A, for the purpose of providing funds to acquire community facilities. The Bonds were issued pursuant to a Master Trust Agreement by and between the Authority and the Huntington National Bank (the "Trustee"), dated July 15, 2004 and a limited offering memorandum for the Bonds dated August 4, 2004.

NOTE 9—CONTINGENT LIABILITIES

There are no claims or lawsuits pending against the Authority.

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INDEPENDENT AUDITOR'S 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*

Board of Trustees
Pinnacle Community Infrastructure Financing Authority

We have audited the accompanying basic financial statements of the Pinnacle Community Infrastructure Financing Authority, Delaware County (the Authority), as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated September 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings as item 2008-1 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described as item 2008-1 above to be a material weakness.

Compliance and Other Matters

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

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
Columbus, Ohio
September 25, 2009

PINNACLE COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS

2008-1 SIGNIFICANT DEFICIENCY: FINANCIAL STATEMENT PREPARATION

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management of the Authority. This responsibility remains intact, even if management decides to outsource this function for efficiency purposes, or any other reason, to another accountant or consultant. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

As a result of our audit, we identified material misstatements in the Authority's financial statements. We provided adjusting entries to the Authority and the misstatements were subsequently corrected. The misstatements are a strong indicator that the Authority does not have sufficient internal control procedures in place related to financial reporting.

We recommend the Authority implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes. Such procedures could consist of contracting for or maintaining someone on the audit committee with governmental accounting knowledge.

Views of Responsible Officials:

The audit committee has taken steps to ensure all financial reports moving forward are first presented to the committee prior to be released. Additionally, audit committee members will continue to obtain adequate training to remain current on governmental accounting policies. Where necessary, outside consultants will be obtained to advise on complex accounting policies or issues.

PINNACLE COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2006-01	Material Weakness - Financial Reporting	No	Not Corrected

Mary Taylor, CPA
Auditor of State

PINNACLE COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 5, 2009

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