



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

New Albany Community Authority
Franklin County
6525 West Campus Oval, Suite 100
New Albany, Ohio 43054

To the Board of Trustees:

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenses and Changes in Accumulated Deficit, and Statement of Cash Flows of the New Albany Community Authority, Franklin County, Ohio, (the Authority) as of and for the years ended December 31, 2001, and December 31, 2000, 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Albany Community Authority, Franklin County, Ohio, as of December 31, 2001, and December 31, 2000, and the results of its operations 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 June 7, 2002 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 grants. 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 7, 2002

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**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**BALANCE SHEET
DECEMBER 31, 2001**

ASSETS

| | |
|---|------------------|
| Cash and Cash Equivalents | \$ 57,915 |
| Cash with Fiscal and Escrow Agents | 11,517,268 |
| Community Development Charge Receivable | 3,693,909 |
| Income Tax Receivable | 53,249 |
| Interest Receivable | 2,801 |
| Lease Receivable | 2,573,019 |
| Infrastructure Reimbursement Receivable | 280,500 |
| Refunding Legal Fees | 65,000 |
| Unamortized Financing Costs | 1,473,808 |
| Fixed Assets | <u>8,014,603</u> |

TOTAL ASSETS \$ 27,732,072

LIABILITIES

Current:

| | |
|---------------------------|------------------|
| Contracts Payable | \$ 112,120 |
| Accounts Payable | 137,288 |
| Interest Payable | 106,535 |
| Unearned Income | 898,019 |
| Total Current Liabilities | <u>1,253,962</u> |

Long Term:

| | |
|------------------------------------|-------------------|
| Community Facilities Bonds | 52,965,000 |
| Multi-Purpose Infrastructure Bonds | 16,700,000 |
| Wellness Center Revenue Bonds | 1,675,000 |
| Total Long Term Liabilities: | <u>71,340,000</u> |

TOTAL LIABILITIES 72,593,962

FUND EQUITY

| | |
|---------------------|---------------------|
| Accumulated Deficit | <u>(44,861,890)</u> |
|---------------------|---------------------|

TOTAL FUND EQUITY (44,861,890)

TOTAL LIABILITIES AND FUND EQUITY \$ 27,732,072

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN ACCUMULATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2001**

| | |
|---|-------------------------------|
| Operating Revenues | |
| Community Development Charge | \$ 3,472,265 |
| Lease Interest Income | 100,323 |
| Village of New Albany Income Tax | <u>726,094</u> |
| Total Operating Revenues | <u>4,298,682</u> |
| Operating Expenses | |
| Advertising | 95 |
| Bank Charge | 29 |
| Insurance | 3,978 |
| Professional Fees | 2,296 |
| Accounting Fees | 10,092 |
| Legal Fees | 18,178 |
| Bond Trustee Fees | 36,577 |
| Amortization | 374,794 |
| Letter of Credit Fees | 160,160 |
| Interest Expense | <u>3,640,049</u> |
| Total Operating Expenses | <u>4,246,248</u> |
| Operating Income/(Loss) | <u>52,434</u> |
| Non-Operating Revenues/Expenses | |
| Interest Income | 119,912 |
| Donation of Fixed Assets | <u>(6,477,075)</u> |
| Total Non-Operating Revenues (Expenses) | <u>(6,357,163)</u> |
| Net Loss | (6,304,729) |
| Accumulated Deficit at Beginning of Year | <u>(38,557,161)</u> |
| Accumulated Deficit at End of Year | <u><u>\$ (44,861,890)</u></u> |

See accompanying notes to the financial statements.

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001**

| | |
|--|---------------------------|
| <u>Increase (Decrease) in Cash and Cash Equivalents</u> | |
| <u>Cash Flows from Operating Activities:</u> | |
| Cash Received from Community Development Charge | \$2,662,548 |
| Cash Received from Village Income Tax | 764,984 |
| Cash Payments for Professional Services | (90,942) |
| Cash Payments for Letter of Credit Fees | (140,035) |
| Net Cash Provided By Operating Activities | <u>3,196,555</u> |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | |
| Proceeds of Bonds | 47,688,243 |
| Proceeds of Notes | 1,075,000 |
| Infrastructure Reimbursements from New Albany Company | 246,700 |
| Refund of Project Costs | 516,015 |
| Cash Payments for Debt Service Principal | (38,760,000) |
| Cash Payments for Debt Service Interest | (3,550,092) |
| Acquisition and Construction of Capital Assets | (3,806,502) |
| Net Cash Provided By Capital and Related Financing Activities | <u>3,409,364</u> |
| <u>Cash Flows from Investing Activities:</u> | |
| Interest | 147,268 |
| Net Cash Provided By Investing Activities | <u>147,268</u> |
| Net Increase in Cash and Cash Equivalents | 6,753,187 |
| Cash and Cash Equivalents Beginning of Year | <u>4,821,996</u> |
| Cash and Cash Equivalents End of Year | <u><u>11,575,183</u></u> |
| <u>Reconciliation of Operating Income to</u> | |
| <u>Net Cash Provided By Operating Activities:</u> | |
| Operating Income | 52,434 |
| <u>Adjustments to Reconcile Operating Loss to</u> | |
| <u>Net Cash Provided by Operating Activities:</u> | |
| Amortization | 374,794 |
| Debt Interest Expense | 3,618,030 |
| Payment of Subordinated Notes | 3,666,921 |
| Proceeds of Notes | (1,075,000) |
| <u>Changes in Assets and Liabilities:</u> | |
| Increase in Community Development Charge Receivable | (809,717) |
| Increase in Income Tax Receivable | (28,249) |
| Decrease in Lease Receivable | 170,323 |
| Decrease in Interest Receivable | 20,656 |
| Increase in Refunding Legal Fees | (52,527) |
| Increase in Unamortized Financing Costs | (835,877) |
| Increase in Infrastructure Reimbursement Receivable | (280,500) |
| Decrease in Contracts Payable | (1,125,239) |
| Increase in Accounts Payable | 5,482 |
| Decrease in Interest Payable | (404,653) |
| Decrease in Unearned Income | (100,323) |
| Net Cash Provided By Operating Activities | <u><u>\$3,196,555</u></u> |

See accompanying notes to the financial statements.

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**BALANCE SHEET
DECEMBER 31, 2000**

| ASSETS | |
|--|------------------------------------|
| Cash and Cash Equivalents | \$ 627,963 |
| Cash with Fiscal and Escrow Agents | 4,194,033 |
| Community Development Charge Receivable | 2,884,192 |
| Income Tax Receivable | 25,000 |
| Interest Receivable | 23,457 |
| Lease Receivable | 2,743,342 |
| Refunding Legal Fees | 12,473 |
| Unamortized Financing Costs | 637,931 |
| Fixed Assets | <u>12,900,064</u> |
| TOTAL ASSETS | <u>24,048,455</u> |
| LIABILITIES | |
| Current: | |
| Contracts Payable | 1,237,359 |
| Accounts Payable | 131,806 |
| Interest Payable | 511,188 |
| Unearned Income | <u>998,342</u> |
| Total Current Liabilities | 2,878,695 |
| Long Term: | |
| Subordinated Notes - New Albany Company | 3,166,921 |
| Community Facilities Bonds | 38,115,000 |
| Multi-Purpose Infrastructure Bonds | 16,700,000 |
| Wellness Center Revenue Bonds | <u>1,745,000</u> |
| Total Long Term Liabilities: | 59,726,921 |
| TOTAL LIABILITIES | <u>62,605,616</u> |
| FUND EQUITY | |
| Accumulated Deficit | <u>(38,557,161)</u> |
| TOTAL FUND EQUITY | <u>(38,557,161)</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u><u>\$ 24,048,455</u></u> |

See accompanying notes to the financial statements.

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN ACCUMULATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | |
|---|-----------------------------------|
| Operating Revenues | |
| Community Development Charge | \$ 2,709,808 |
| Lease Income | 103,543 |
| Village of New Albany Income Tax | <u>208,200</u> |
| Total Operating Revenues | <u>3,021,551</u> |
| Operating Expenses | |
| Bank Charge | 16 |
| Insurance | 700 |
| Professional Fees | (725) |
| Accounting Fees | 21,497 |
| Legal Fees | 64,500 |
| Bond Trustee Fees | 49,621 |
| Amortization | 234,758 |
| Letter of Credit Fees | 177,170 |
| Interest Expense | <u>3,998,735</u> |
| Total Operating Expenses | <u>4,546,272</u> |
| Operating Income/(Loss) | <u>(1,524,721)</u> |
| Non-Operating Revenues/Expenses | |
| Interest Income | 436,387 |
| Donation of Fixed Assets | <u>(270,562)</u> |
| Total Non-Operating Revenues (Expenses) | <u>165,825</u> |
| Net Loss | <u>(1,358,896)</u> |
| Accumulated Deficit at Beginning of Year | <u>(37,198,265)</u> |
| Accumulated Deficit at End of Year | <u>\$ (38,557,161)</u> |

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | |
|--|----------------------------|
| <u>Increase (Decrease) in Cash and Cash Equivalents</u> | |
| <u>Cash Flows from Operating Activities:</u> | |
| Cash Received from Community Development Charge | \$ 2,069,174 |
| Cash Received from Village Income Tax | 316,769 |
| Cash Payments for Professional Services | (83,862) |
| Cash Payments for Letter of Credit Fees | (109,856) |
| Net Cash Provided By Operating Activities | <u>2,192,225</u> |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | |
| Proceeds of Bonds | 16,700,000 |
| Cash Payments for Financing Costs | (194,155) |
| Proceeds of Notes | 1,001,552 |
| Cash Payments for Debt Service Principal | (7,850,000) |
| Cash Payments for Debt Service Interest | (3,543,455) |
| Cash Payment for Arbitrage Liability | (80,524) |
| Acquisition and Construction of Capital Assets | (6,209,401) |
| Net Cash Used By Capital and Related Financing Activities | <u>(175,983)</u> |
| <u>Cash Flows from Investing Activities:</u> | |
| Interest | 417,472 |
| Net Cash Provided By Investing Activities | <u>417,472</u> |
| | |
| Net Increase in Cash and Cash Equivalents | 2,433,714 |
| | |
| Cash and Cash Equivalents Beginning of Year | <u>2,388,282</u> |
| | |
| Cash and Cash Equivalents End of Year | <u><u>4,821,996</u></u> |
| | |
| Reconciliation of Operating Loss to | |
| <u>Net Cash Provided By Operating Activities:</u> | |
| Operating Loss | (1,524,721) |
| | |
| Adjustments to Reconcile Operating Loss to | |
| <u>Net Cash Provided by Operating Activities:</u> | |
| Amortization | 234,758 |
| Debt Interest Expense | 3,742,191 |
| Proceeds of Notes | (1,001,552) |
| Changes in Assets and Liabilities: | |
| Increase in Community Development Charge Receivable | (640,634) |
| Decrease in Income Tax Receivable | 46,116 |
| Decrease in Lease Receivable | 173,543 |
| Increase in Interest Receivable | (13,859) |
| Increase in Refunding Legal Fees | (12,473) |
| Increase in Unamortized Financing Costs | |
| Increase in Accounts Payable | 131,081 |
| Increase in Contracts Payable | 739,951 |
| Increase in Interest Payable | 214,281 |
| Increase in Unearned Income | 103,543 |
| Net Cash Provided By Operating Activities | <u><u>\$ 2,192,225</u></u> |

See accompanying notes to the financial statements.

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 and DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The New Albany Community Authority is a "community authority" created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On July 7, 1992, the New Albany Company Limited Partnership (the Developer) filed a petition (the Petition) for the creation of the Authority with the Board of County Commissioners of the County of Franklin, Ohio. The Petition which may be subject to amendment or other change, allows the Authority to finance up to \$41,450,000 of "costs" of publicly owned and operated community facilities including, but not limited to, the acquisition or construction of a new school, roads, a fire station, and a fire truck. In accordance with the Act, the Petition was accepted by the County Commissioners' Resolution No. 699-92, adopted July 7, 1992. By its Resolution on August 24, 1992, 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 July 7, 1996 the County Commissioners, by their resolution amended the Petition to increase the "costs" from \$41,450,000 to \$43,450,000.

The Authority is governed by a seven member Board of Trustees. The Franklin County Board of County Commissioners, a related organization, appoints four of the Trustees. The remaining three Trustees are appointed by the Developer.

The New Albany New Community District is currently comprised of approximately 5,000 acres of land located in Northeast Franklin County, Ohio.

In accordance with the Act and the Petition, the Authority can levy a community development charge of up to 9.75 mills on the assessed value of the land and improvements within the District. The need and amount of the charge is determined annually by the Board of Trustees of the Authority.

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

B. Basis of Accounting

The Authority's financial activity is accounted for using a proprietary fund. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the Authority are included on the balance sheet.

The accrual basis of accounting is used for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recorded at the time liabilities are incurred.

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 and DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fixed Assets (Construction in Progress)

Fixed assets are capitalized at cost. The Authority acquires and/or constructs on behalf of the Village of New Albany, Plain Township, Plain Local School District, and/or other political subdivisions. When these assets are placed in service by the respective political subdivision, the Authority removes the construction in progress and records the donation as an expense.

Depreciation: The Authority does not record depreciation on any assets. Assets are only held by the Authority until they are placed into service.

Capitalization of Interest: Interest is capitalized on assets acquired and/or constructed with tax-exempt debt. The Authority's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds of the same period. Capitalized interest would be expensed as part of the asset when it is donated or amortized on the straight line basis over the estimated useful life of the asset. For 2001 and 2000, the net interest expense incurred on Authority construction projects was insignificant.

D. Community Development Charge Receivable

The Community Development Charge is recognized as a receivable in the financial statements. The receivable represents charges that have been assessed as of December 31.

2. PRIOR YEAR RESTATEMENT

The Authority is restating beginning accumulated deficit as of January 1, 2000 due to errors in the prior period.

Restatement of accumulated deficits and fixed assets are as follows:

| | Amount at 12/31/99 | Restated Amount |
|---------------------|--------------------|-----------------|
| Accumulated Deficit | (\$37,156,900) | (\$37,228,260) |
| Fixed Assets | \$6,327,933 | \$6,200,393 |

3. ACCUMULATED DEFICIT

At December 31, 2001, the Authority has an accumulated deficit of \$44,861,890. This deficit is a result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publicly owned and operated community facilities. The Authority incurs the costs of constructing community facilities. The titles to these assets are then transferred to the community and the related costs are recorded as an expense. This deficit will be reduced and eliminated as outstanding debt is paid. See Note 10 for further discussion of debt repayment.

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 and DECEMBER 31, 2000
(Continued)**

4. CASH AND CASH EQUIVALENTS

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 or in depository accounts payable on demand, including negotiable order of withdrawal (NOW) accounts.

Inactive deposits are public deposits that are not required for use within the current two year period of designation of depositories. Inactive deposits may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim deposits are public 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. Interim monies may be deposited or invested in the following securities: Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest; Bond, notes, debentures, or other obligations or securities issued by any federal government agency; Repurchase agreements in the securities listed above; No-load money market mutual funds consisting of the securities listed above; Bonds and other obligations of the State of Ohio; and the State Treasurer's investment pool.

At year end December 31, 2001 and December 31, 2000, the carrying amounts of the Authority's deposits were \$57,915 and \$627,963. The bank balances were \$218,294 and \$655,255, respectively. The total bank balances were federally insured up to \$100,000 and the remaining balance was collateralized by investments held by a third party trustee not in the name of the Authority.

5. CASH WITH FISCAL AND ESCROW AGENTS

At year end December 31, 2001 and December 31, 2000, the carrying amounts of the Authority's cash with fiscal and escrow agents were \$11,517,268 and \$4,194,033. These amounts are held in escrow for projects funded by bond issuances. These funds are held in U.S. Treasury Money Market Funds held by the Trustees.

6. COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community development charge up to 9.75 mills on the assessed value of all property within the District. The charge is currently levied at 9.75 mills. Charge revenue recognized represents the amount levied on October 1 of the preceding year.

Charge assessments are levied October 1 on the assessed values as of July 1, the lien date. Assessed values are established by State law at 35% of appraised market value. Market values are determined by the Authority based on the County Auditor's appraisal, lot values, or a calculated cost for occupied homes that have not yet been appraised by the County Auditor.

The assessed value of all property within the District upon which the 2001 charge receipts were based was \$378,006,879.

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 and DECEMBER 31, 2000
(Continued)**

7. FIXED ASSETS

Changes in construction in progress during 2000 were as follows:

| Construction in Progress | Restated Balance at 12/31/99 | Additions | Transfers | Balance at 12/31/00 |
|-------------------------------------|------------------------------------|--------------------|------------|------------------------|
| Business Campus - Infrastructure | \$6,200,393 | \$109,307 | \$0 | \$6,309,700 |
| Blacklick | 0 | 6,590,364 | 0 | \$6,590,364 |
| Total | <u>\$6,200,393</u> | <u>\$6,699,671</u> | <u>\$0</u> | <u>\$12,900,064</u> |

Changes in construction in progress during 2001 were as follows:

| Construction in Progress | Balance at 12/31/00 | Additions | Transfers | Balance at 12/31/01 |
|-------------------------------------|------------------------|--------------------|--------------------|------------------------|
| Business Campus - Infrastructure | \$6,309,700 | \$156,418 | \$6,466,118 | \$0 |
| Blacklick | 6,590,364 | 1,424,239 | 0 | \$8,014,603 |
| Total | <u>\$12,900,064</u> | <u>\$1,580,657</u> | <u>\$6,466,118</u> | <u>\$8,014,603</u> |

8. DIRECT FINANCING LEASE

The Authority entered into a lease agreement with Mount Carmel Health Systems, Inc. in December of 1996 for the lease of the Wellness Center. The lease payments under the lease agreement are equal to the bond service charges due on the Wellness Center Bonds. The lease has been classified as a direct financing lease. The Authority has recorded a lease receivable for the gross proceeds of the lease agreement and unearned income for the amount representing interest due on the bonds.

The amortization of the lease payments are as follows:

| Year | Principal | Interest | Total |
|-----------|--------------------|------------------|--------------------|
| 2002 | \$75,000 | \$97,033 | \$172,033 |
| 2003 | 80,000 | 93,433 | 173,433 |
| 2004 | 80,000 | 89,513 | 169,513 |
| 2005 | 85,000 | 85,013 | 170,013 |
| 2006 | 90,000 | 80,232 | 170,232 |
| 2007-2011 | 540,000 | 317,495 | 857,495 |
| 2012-2016 | 725,000 | 135,300 | 860,300 |
| Total | <u>\$1,675,000</u> | <u>\$898,019</u> | <u>\$2,573,019</u> |

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 and DECEMBER 31, 2000
(Continued)**

9. VILLAGE OF NEW ALBANY INCOME TAX

The Authority receives 30% and 50%, respectively, from Phase I and Phase II of the gross income tax revenues collected by the Village of New Albany for the Economic Opportunity Zone. The Economic Opportunity Zone is approximately 200 acres of land that the New Albany Company is developing into a business campus. The Village of New Albany Income Tax is used to make payments on the Multi-Purpose Infrastructure Bonds described in Note 10.

10. DEBT

Debt outstanding at December 31, 2001 was as follows:

| | Principal | Interest Rate |
|--|---------------|------------------|
| Community Facilities Refunding Bonds, Series B | \$ 52,965,000 | 3 - 5.5% |
| Wellness Center Revenue Bonds | 1,675,000 | 4 - 6% |
| Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series B | 16,700,000 | Variable |
| Total | \$ 71,340,000 | |

Community Facilities Refunding Bonds, Series B: In 2001, the Authority issued Community Facilities Refunding Bonds, Series B in the amount of \$52,965,000. The proceeds of the bonds were used to advance refund Community Facilities Bonds, Series A and current refund Subordinated Notes held by The New Albany Company. The bonds have a final stated principal maturity of October 1, 2024, with mandatory principal redemptions on December 1 in the years 2003 through 2024. Except for bond service reserve referred to below, the Authority's Community Development Charge is the sole source of funds for principal and interest payments. The reserve account for the bonds was initially funded at \$5,458,280 with equal amounts of bond proceeds and a letter of credit from Bank One, N.A.

The issuance of these bonds to advance refund the Authority's then outstanding \$38,115,000 Community Facilities Bonds, Series A on December 1, 2001, resulted in a present value economic savings of \$3,247,854. The Authority defeased the Community Facilities Bonds, Series A by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. This advance refunding represents both legal and in-substance defeasance and was accounted for in accordance with GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*. Accordingly the trust account's assets and the liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2001 \$38,115,000 of bonds are considered defeased.

Wellness Center Revenue Bonds: In 1996, the Authority issued the Wellness Center Revenue Bonds in the amount of \$2,000,000. The proceeds of the bonds were to pay the costs of acquiring and constructing facilities for providing day care and other community health and wellness programs and related services. The issue included \$480,000 serial bonds maturing annually from 1997 through 2003, \$450,000 term bonds maturing in 2008, and \$1,070,000 term bonds maturing in 2016. The term bonds are subject to prior mandatory sinking fund redemption. The Authority's source of repayment for these bonds is lease rental income from the Mount Carmel Health System, pursuant to a lease agreement. The Authority also has as credit enhancement for the bonds an irrevocable standby letter of credit in the amount of \$2,070,000 with National City Bank of Columbus.

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 and DECEMBER 31, 2000
(Continued)**

10. DEBT (Continued)

Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series B: In 2000, the Authority issued the Multi-Purpose Infrastructure Improvement Bonds, Series B in the amount of \$16,700,000. The proceeds of the bonds were used to currently refund Multi-Purpose Infrastructure Improvement Bonds, Series A and for construction of infrastructure in the New Albany Economic Opportunity Zone. The bonds have an adjustable interest rate, currently determined weekly. The rate cannot exceed 12%. The bonds have a final stated principal maturity of February 1, 2025, with mandatory principal redemptions on February 1 in the years 2004 through 2024. The Authority's sole source of repayment for these bonds is from income taxes on businesses in Phase I and Phase II of the Economic Opportunity Zone. The Authority receives 30% and 50%, respectively, from Phase I and Phase II of the gross income tax revenues collected by the Village of New Albany for the Economic Opportunity Zone. The Authority also has as credit and liquidity support for the bonds an irrevocable standby letter of credit in the amount of \$17,012,000 with Huntington National Bank facilitated by a guarantee by The New Albany Company.

Amortization of the above debt, including interest, is scheduled as follows:

| Year ending December 31: | Community Facilities Bonds | Wellness Center Revenue Bonds |
|-----------------------------|----------------------------------|--|
| 2002 | \$2,212,127 | \$172,033 |
| 2003 | 3,224,553 | 173,433 |
| 2004 | 3,687,453 | 169,513 |
| 2005 | 3,730,953 | 170,013 |
| 2006 | 3,837,984 | 170,232 |
| 2007-2011 | 20,050,040 | 857,495 |
| 2012-2016 | 20,967,895 | 860,300 |
| Subsequent | 37,293,835 | 0 |
| Total | \$95,004,840 | \$2,573,019 |

NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 and DECEMBER 31, 2000
(Continued)

10. DEBT (Continued)

Principal payments due on the adjustable rate bond are as follows:

| Year ending December 31: | Multi-Purpose Infrastructure Improvement Bonds |
|-----------------------------|---|
| 2002 | \$0 |
| 2003 | 0 |
| 2004 | 120,000 |
| 2005 | 150,000 |
| 2006 | 190,000 |
| 2007-2011 | 1,680,000 |
| 2012-2016 | 3,230,000 |
| Subsequent | <u>11,330,000</u> |
| Total | <u><u>\$16,700,000</u></u> |

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

New Albany Community Authority
Franklin County
6525 West Campus Oval, Suite 100
New Albany, Ohio 43054

To the Board of Trustees:

We have audited the accompanying Balance Sheet, Statement of Revenue, Expenses and Changes in Accumulated Deficits, and Statement of Cash Flows of the New Albany Community Authority, Franklin County, Ohio (the Authority), as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated June 7, 2002. We conducted our audits 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our considerations of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

New Albany Community Authority
Franklin County
Report of Independent Accountants on Compliance
And On Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State
June 7, 2002

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND DECEMBER 31, 2000**

| Finding Number | Finding Summary | Status of Findings |
|-----------------------|--|---------------------------|
| 1999-10625-001 | Audit Committee | Fully corrected |
| 1999-10625-002 | Board review and approval of Community Development Charge | Fully Corrected |
| 1999-10625-003 | Board involvement in Authority activities | Fully corrected |
| 1999-10625-004 | Basis of Accounting | Fully corrected |
| 1999-10625-005 | Supporting documentation for financial activity | Fully corrected |
| 1999-10625-006 | Monthly bank to book reconciliations | Fully corrected |



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NEW ALBANY COMMUNITY 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
AUGUST 22, 2002**