POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

INITIAL AUDIT

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

Auditor of State
Betty Montgomery

POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Powell Community Infrastructure Financing Authority
Delaware County
470 Olde Worthington Road, Suite 100
Westerville, Ohio 43082

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Powell Community Infrastructure Financing Authority, Delaware County, Ohio, (the Authority) as of and for the years ended December 31, 2004; December 31, 2003; and December 31, 2002, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Powell Community Infrastructure Financing Authority, Delaware County, Ohio, as of December 31, 2004; December 31, 2003; and December 31, 2002, and the changes in its financial position and its 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 August 24, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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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.

Betty Montgomery

Betty Montgomery
Auditor of State

August 24, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002
(UNAUDITED)

The management's discussion and analysis of the Powell Community Infrastructure Financing Authority, Delaware, Ohio, (the Authority), financial performance provides an overall review of the Authority's financial activities for the fiscal years ended June 30, 2004, 2003, and 2002. 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

1. The Authority encourages the orderly development of a well-planned, diversified community of approximately 98 acres in the City of Powell.

2. The Authority donated infrastructure construction and improvements totaling $2,480,572 to the City of Powell, DelCo Water Authority and Delaware County.

3. Net Assets at December 31, 2004 totaled a negative $2,594,474. The negative Net Asset balance is caused by the costs incurred for capital assets constructed and improved which were donated upon completion. The Authority accumulates infrastructure construction and improvement costs that are reflected in the Statement of Net Assets, upon completion, as capital assets. The capital assets are depreciated by the Authority until the date of donation.

4. The Authority incurred a Note Payable of $2,658,844, including accrued interest, by December 31, 2004, for the construction and improvement of infrastructure. The debt incurred will be paid through the collection of community development charges imposed on the residences benefiting from the capital asset.

Overview of the 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 and financial position. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the Authority, including all short-term and long-term financial resources and obligations. 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 Net Assets represents the financial position of the Authority. 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.

Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows

These financials look at all financial transactions and asks the question, How did we do financially? The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting,* similar to the accounting used by most private-sector companies. The 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 7 and 8 of this report.

The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 9 of this report.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis

Table 1 provides a summary of Authority's net assets for fiscal years 2004, 2003 and 2002:

Table 1
Net Assets
(In Thousands)

	2004	**2003**	**2002**
Assets:			
Current Assets	$197	$146	$82
Capital Assets	0	0	405
Total Assets	197	146	487
Liabilities:			
Current Liabilities	132	59	23
Long Term Liabilities	2,659	2,658	2,565
Total Liabilities	2,791	2,717	2,588
Net Assets:			
Investment in Capital Assets net debt	(2,500)	(2,500)	$(2,074)
Unrestricted	(94)	(72)	27
Total Net Assets	$(2,594)	$(2,572)	$(2,101)

Net Assets: Net assets represent the difference between assets and liabilities. The Authority had net assets of negative $2,100,699 in 2002 as a result of its first year of operations, and a negative $2,594,474 in 2004. Net Assets included Investment in Capital Assets, net of related debt. The Authority constructed infrastructure improvements of $2,478,869 during 2002 and $21,131 during 2003. All improvements were contributed to the City of Powell, DelCo Water Authority, and Delaware County.

Table 2 reflects the changes in net assets for fiscal years 2004, 2003 and 2002.

Table 2
Change in Net Assets
(In Thousands)

	2004	**2003**	**2002**
Operating Revenues	$120	$98	$82
Non-Operating Revenues/Expenses			
Earnings on Investments	1	0	0
Interest Expense	(132)	(131)	(109)
Operating Expenses	(12)	(15)	(16)
Loss Before Contributions	(23)	(48)	(43)
Capital Contributions	0	(423)	(2,057)
Total Decrease in Net Assets	$(23)	$(471)	$(2,101)

Change in Net Assets: The Authority had a decrease in net assets for each of the three years presented. The decreases are due to the fact that the Authority was created for the purpose of financing the cost of community facilities, which are donated. The Authority constructs infrastructure improvements and then after the improvements are complete, contributes the assets to the appropriate government parties. The decrease in net assets over the years is not an indicator of deteriorating financial position. Instead the capital contributions cause the decrease in net assets, which reflects that as assets are completed and approved, they are donated to the community.

Revenue from Community Development Charges paid by each owner of a chargeable parcel will be used to pay off the debt incurred to construct the asset. The Community Development Charge is calculated on thirty-five percent of the assessed value of chargeable property which includes buildings, structures and improvements. The amount of revenue is increasing each year as parcels are sold and improvements are made thus increasing the assessed value.

Budgeting

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

Capital Assets and Debt Administration

Capital Assets

Capital assets are capitalized and depreciated over their estimated useful life. They are reported in the accompanying financial statements at cost and are depreciated annually until they are donated to the community.

At the end of fiscal year 2002, the Authority had constructed infrastructure improvements costing approximately $2,479,000. The Authority's capital assets consist of roads, water lines, sanitary and storm sewers and a bike path.

By the end of 2002, donated assets consisted of $2,057,343 including roads and sanitary and storm sewers.

In 2003, donated assets consisted of $423,229 including the water lines and a portion of the roads. All capital assets were constructed and donated by the end of 2003. In 2004, no more assets were constructed. For further information regarding the Authority's capital assets, refer to Note 7 of the basic financial statements.

Debt

The Authority issued Community Facilities Adjustable Rate Notes to purchase and construct community facilities which include roads, water lines, sewer lines, and a bike path. 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. Upon completion of the constructed improvements and approval by the receiving party, the assets become capital contributions.

Current Issues

Pursuant to Resolution No. 2005-4 on February 22, 2005, the Board of Trustees of the Authority authorized the Authority to enter into a Construction Agreement. This agreement facilitates the purchase and construction of Community Facilities. It consists of a mixed use development, known as Traditions at Powell and will include single family houses, offices and retail uses. The issuance and private placement of a Community Facilities Adjustable Rate Notes, Series 2005 has also been authorized to provide funds to acquire and construct Community Facilities and to purchase and develop land in connection with the same.

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 Nancy Inman, Treasurer, Powell Community Infrastructure Financing Authority, 470 Olde Worthington Road, Westerville, Ohio 43082

POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2004, 2003, and 2002

	2004	2003	2002
Current Assets:			
Cash and Cash Equivalents	$127,711	$86,802	$42,782
Community Development Charge Receivable	69,098	59,440	39,356
Total Current Assets	196,809	146,242	82,138
NonCurrent Assets:			
Depreciable Capital Assets	0	0	0
Nondepreciable Capital Assets	0	0	405,498
Total NonCurrent Assets	0	0	405,498
Total Assets	196,809	146,242	487,636
Current Liabilities:			
Accrued Interest Payable	132,439	58,927	23,045
Long Term Liabilities:			
Notes Payable	2,658,844	2,658,844	2,565,290
Total Liabilities	2,791,283	2,717,771	2,588,335
Net Assets:			
Investment in Capital Assets Net of Related Debt	(2,500,000)	(2,500,000)	(2,073,371)
Unrestricted	(94,474)	(71,529)	(27,328)
Total Net Assets	($2,594,474)	($2,571,529)	($2,100,699)

See Accompanying Notes to the Financial Statements

POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003, and 2002

	2004	2003	2002
Operating Revenues			
Community Development Charges	$120,405	$98,216	$82,098
Total Operating Revenues	120,405	98,216	82,098
Operating Expenses			
Legal Fees	2,391	3,338	0
Advertising & Promotions	86	47	0
Accounting Services	5,000	5,000	0
Insurance Fees	3,302	3,051	0
Board Meeting Expense	450	150	0
Depreciation Expense	0	3,400	16,029
Other	692	17	0
Total Operating Expenses	11,921	15,003	16,029
Operating Income	108,484	83,213	66,069
Non-Operating Revenues (Expenses)			
Interest Revenue	1,010	536	40
Interest Expense	(132,439)	(131,350)	(109,465)
Total Non-Operating Revenues (Expenses)	(131,429)	(130,814)	(109,425)
Loss before Contributions	(22,945)	(47,601)	(43,356)
Capital Contributions to DelCo	0	(183,944)	0
Capital Contributions to Delaware County	0	0	(760,367)
Capital Contributions to Powell	0	(239,285)	(1,296,976)
Total Capital Contributions	0	(423,229)	(2,057,343)
Net Change in Net Assets	(22,945)	(470,830)	(2,100,699)
Net Assets at Beginning of Year	(2,571,529)	(2,100,699)	0
Net Assets At End of Year	($2,594,474)	($2,571,529)	($2,100,699)

See Accompanying Notes to the Financial Statements

POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003, and 2002

	2004	2003	2002
Increases (Decreases) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Community Development Charges	$ 110,746	$ 78,132	$ 42,742
Cash Payments for Legal Fees	(2,391)	(3,338)	0
Cash Payments for Advertising	(86)	(47)	0
Cash Payments for Auditing Fees	(298)	0	0
Cash Payments for Accounting Services	(5,000)	(5,000)	0
Cash Payments for Insurance	(3,302)	(3,051)	0
Cash Payments for Bank Charges	(127)	0	0
Cash Payments for Board Meetings	(450)	(150)	0
Cash Payments for Other Fees	(266)	(17)	0
Net Cash Provided By Operating Activities	98,826	66,529	42,742
Cash Flows from Capital and Related Financing Activities			
Acquistion of Capital Assets	0	(21,131)	(2,478,869)
Proceeds from Notes	0	93,554	2,565,290
Interest Paid on Notes	(58,927)	(95,468)	(86,421)
Net Cash Used for Capital and Related Financing Activities	(58,927)	(23,045)	0
Cash Flows from Investing Activities			
Interest	1,010	536	40
Net Cash Provided by Investing Activities	1,010	536	40
Net Increase in Cash and Cash Equivalents	40,909	44,020	42,782
Cash and Cash Equivalents Beginning of Year	86,802	42,782	0
Cash and Cash Equivalents End of Year	$ 127,711	$ 86,802	$ 42,782
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	$ 108,484	$ 83,213	$ 66,069
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities			
Depreciation	0	3,400	16,029
Changes in Assets and Liabilities:			
Increase in Community Development Charge Receivable	(9,658)	(20,084)	(39,356)
Net Cash Used for Operating Activities	$ 98,826	$ 66,529	$ 42,742

Non-Cash Capital Transactions

In 2003, the Authority donated infrastructure improvements to DelCo Water Authority and the City of Powell, in the amounts of $183,944 and $239,285, respectively.

In 2002, the Authority donated infrastructure improvements to Delaware County and the City of Powell, in the amounts of $760,367 and $1,296,976, respectively.

See Accompanying Notes to the Financial Statements

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1. REPORTING ENTITY

The Powell Community Infrastructure Financing Authority, Delaware County, Ohio (the "Authority") is a "community authority" created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On May 11, 2001, Triangle Real Estate (the Developer) filed a petition (the Petition) for creation of the Authority with the Board of County Commissioners of Delaware County, Ohio, and the Petition was accepted by a resolution of the Board on May 31, 2001. 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. The Petition was adopted by Resolution No. 01-681 on June 25, 2001.

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 was organized as a body corporate and politic in the State.

The Authority is governed by a seven member Board of Trustees. The Board of County Commissioners of Delaware County, a related organization appoints four of the Trustees. Three (3) are citizen members that represent the interests of present and future residents of the community district and One (1) of whom is a representative of local government. The remaining three (3) Trustees are appointed by the Developer.

The new community district is comprised of approximately 98 acres of land located in the City of Powell, Delaware County, Ohio. The 98 acres of land is generally bounded by the Grandshire Subdivision to the south, Powell Road to the north, Old Sawmill road to the west, and CSX Transportation to the east. The project includes the construction of waterline, sanitary sewer, main line sanitary sewer, storm sewer, bike path and roads.

In accordance with the Act and the Petition, the Authority can levy a community development charge up to 10.25 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These 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 applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

B. Measurement Focus and the Basis of Accounting

The Authority's financial activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of 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 investment in capital assets, net of related debt, and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets.

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.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Cash and Investments

To improve cash management, cash received by the Authority is pooled and deposited with a financial institution or invested. Investments of the cash management pool and those with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

D. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Authority does not maintain a capitalization threshold. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Infrastructure assets are capitalized and reported by the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Capital Assets (Continued)

All capital assets are depreciated, except for land and construction in progress. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land	N/A
Infrastructure	20 years
Roads	45 years
Water Lines	50 years
Sanitary & Storm Sewer	70 years
Bike Path	60 years

E. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the 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. The Authority did not have any restricted net assets at fiscal years end 2004, 2003, and 2002.

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 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.

3. ACCUMULATED DEFICIT OF NET ASSETS

At December 31, 2004, the Authority has an accumulated deficit of net assets of $2,594,474. 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 incurred the costs of constructing community facilities. The titles to these assets have been and will be transferred to the community with the related costs recorded as a capital contribution expense to the receiving entity. This deficit will be reduced and eliminated as outstanding debt is paid with, primarily, future community development charges.

4. DEPOSITS AND 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 withdrawable 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, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those 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 agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

4. DEPOSITS AND INVESTMENTS (Continued)

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; and

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.

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 finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's deposits are protected only up to amounts provided by the Federal Deposit Insurance Corporation (FDIC). The Authority had no deposits at fiscal years ended 2004, 2003, and 2002.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and fair value of investments, classified by risk. The Authority's investments are categorized as either (1) insured or registered or for which the securities are held by the Authority or its agent in the Authority's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Authority's name or (3) uninsured and unregistered for which the securities are held by the counterparty,

Investments in money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

4. DEPOSITS AND INVESTMENTS (Continued)

The fair value and carrying values are as follows:

	2004	2003	2002
Mutual funds (Unclassified)	$127,711	$86,802	
U. S. Treasury Bills (Category 1)			$42,782

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less, and the Authority's cash management pool.

A reconciliation between classifications of cash and investments on the financial statements and the classifications according to GASB Statement No. 3 is as follows:

2004	Cash and Cash Equivalents	Investments
GASB Statement No.9:	$127,711	$0
Investments: Mutual Funds	(127,711)	127,711
GASB Statement No. 3	$0	$127,711

2003	Cash and Cash Equivalents	Investments
GASB Statement No.9:	$86,802	$0
Investments: Mutual Funds	(86,802)	86,802
GASB Statement No. 3	$0	$86,802

2002	Cash and Cash Equivalents	Investments
GASB Statement No.9:	$42,782	$0
Investments: U.S. Treasury Bills	(42,782)	42,783
GASB Statement No. 3	$0	$42,782

5. COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community development charge up to 10.25 mills on the assessed value of all property within the developed district. The charge is currently levied at 10.25 mills. Charge revenue recognized represents the amount levied on October 1 of the preceding year and April 1 of the current year.

5. COMMUNITY DEVELOPMENT CHARGE (Continued)

Charge assessments are levied October 1 on the assessed values as of September 30, the lien date; and April 1 on the assessed values as of March 31. The assessed value is established by state law at 35 % of the current market value, the sales price, or the permit value which ever is the highest. 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 permit values are supplied on a monthly basis from the Delaware County building department.

6. RECEIVABLES

Receivables at December 31, consisted of community development charges. All receivables are considered collectible in full within one year.

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2002, was as follows:

	January 1, 2002	Additions	Reductions	December 31, 2002
NonDepreciable Capital Assets:				
Construction In Progress	$0	$405,498	$0	$405,498
Depreciable Capital Assets				
Infrastructure	0	2,073,372	(2,073,372)	0
Less Accumulated Depreciation for				
Infrastructure	0	(16,029)	16,029	0
Depreciable Capital Assets, Net	0	2,057,343	(2,057,343)	0
Total Capital Assets, Net	$0	$2,462,841	($2,057,343)	$405,498

Capital asset activity for the year ended December 31, 2003, was as follows:

	January 1, 2003	Additions	Reductions	December 31, 2003
NonDepreciable Capital Assets:				
Construction In Progress	$405,498	$0	($405,498)	($405,498)
Depreciable Capital Assets				
Infrastructure	0	426,629	(426,629)	0
Less Accumulated Depreciation for				
Infrastructure	0	(3,400)	3,400	0
Depreciable Capital Assets, Net	0	423,229	(423,229)	0
Total Capital Assets, Net	$405,498	$423,229	($828,727)	$0

7. CAPITAL ASSETS (Continued)

Sanitary and storm sewer improvements in the amount of $760,367 were donated by the Authority to Delaware County in 2002. Road improvements in Murphy Park in the amount of $1,296,976 were also contributed to the City of Powell. The water lines and a portion of the roads of the Authority were still in progress at year-end 2002.

8. RISK POOL MEMBERSHIP

The Authority belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first $500,000 casualty treaty (up to $25,000 of a loss) and 5% of the first $1,000,000 property treaty (up to $50,000 of a loss). The Plan also participates in a loss corridor in its first $500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% or premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

9. CONTRACTUAL COMMITMENTS

The Authority had the following outstanding contractual commitments as of December 31, 2002:

Contractor	Purpose	Contract Amount	Outstanding Balance
Miller Pavement	Pavement, Road Widening, Bike Path	$639,250	$15,921

10. LONG-TERM OBLIGATIONS

The Authority's long-term obligations activity for the years ended December 31, 2004, 2003, and 2002 was as follows:

Community Facilities Adjustable Rate Note – Series 2002	Balance January 1	Additions	Reductions	Balance December 31
Year:				
2002	$0	$2,565,290	$0	$2,565,290
2003	$2,565,290	$93,554	$0	$2,658,844
2004	$2,658,844	$0	$0	$2,658,844

10. LONG-TERM OBLIGATIONS (Continued)

Community Facilities Adjustable Rate Note, Series 2002

On January 16, 2002, the Authority issued $2,500,000 in Community Facilities Adjustable Rate Notes which were issued for the purpose of providing funds to acquire and construct community facilities and to develop land in connection with the same. Triangle Properties Inc., (the Developer), is the registered owner of the notes.

The proceeds of the notes were used to finance Community Facilities, including the extension of Murphy Parkway and Gray Oaks Boulevard, a sewer line and a water line.

The community development charges are pledged for repayment. The Financing Authority expects that all of the debt service on the notes will be paid from these revenues. An “Infrastructure Acquisition and Construction Agreement” entered into between the Financing Authority and Developer required the Financing Authority to “draw” from the principal of the note by delivering to the Developer a “Drawing Certificate.” The Developer then was required to make an entry on the “Schedule of Advances and Payments” reflecting the amount drawn and the then outstanding principal balance. Unpaid interest, which is added to the principal amount of the note shall be entered on the “Schedule of Advances and Payments”, according to the agreement.

The interest rate on the notes shall be equal to 300 basis points over the Bonds Market Association (BMA) Municipal Swap Index on the Thursday that the interest rate is being adjusted, provided that, (1) the Base Note Rate shall never be less than five percent (5 %) and (2) if, as of January 20th of any year, the Fiscal Officer of the Authority determines that moneys received by the Authority during the immediately preceding calendar year from the collection of Community Development Charges exceed 1.20 multiplied times the amount which, if paid in constant annual installments over a period of years equal to the Remaining Useful Life of the Project, would amortize the outstanding principal amount of the Notes, plus any accrued and unpaid interest thereon, as of the immediately preceding December 31st, at an interest rate of six per centum (6%) per annum, the Note Rate for such year, and for each calendar year thereafter, effective as of January 1st of the year, shall be three hundred (300) basis points over the Base Note Rate, as determined for that period. The interest rate is computed on a 365 or 366 days per year, as appropriate, and on the actual number of days elapsed from January 1 to December 31 of each year.

Interest is due January 15th of each year while the Note is outstanding, commencing January 15, 2003, until the principal sum is paid. Interest accrued, but not paid by January 15th of each year, shall be added to the principal balance of the notes as of January 1st of that year.

The adjustable rate notes are also subject to optional redemption at any time in whole or in part by, and at the sole option of the Financing Authority, at a redemption price equal to 100% of the principal amount redeemed.

Due to no set amortization schedule or maturity on the Notes, no amortization schedule has been prepared or presented for these notes.

11. CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

12. RELATED PARTY

The Petition for creation of the Authority pursuant to Chapter 349 of the Ohio Revised Code was filed with the Delaware County Commissioners by Triangle Real Estate Services, Inc (the Developer). Three of the seven Authority Board members are comprised of individuals appointed by the Developer based on the County Commissioners' Resolution and Chapter 349 of the Ohio Revised Code. The Authority also has a Fiscal and Accounting Services Agreement with the Developer which designates the Developer as the fiscal agent for all of the Authority's accounting services.

The Authority has an "Infrastructure Acquisition and Construction Agreement" with the Developer to acquire and construct the infrastructure of the Authority's territory for which it was established. Under this agreement 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 paid costs to the contractors. The Developer supervised and approved all construction work including construction company draws of funds.

Community Facilities Adjustable Rate Bonds, series 2002 totaling $2,500,000 were issued to provide funds to acquire and construct community facilities and to develop land in connection with the same. Triangle Properties, Inc. is the registered owner of the notes issued.

13. SUBSEQUENT EVENTS

By resolution, the Petition for the Authority was amended to add certain territory to the area comprising the Authority. On February 22, 2005 the Board passed Resolution No. 2005-4 authorizing Triangle Properties, Inc. to enter a Construction Agreement in accordance with Section 349 of the Ohio Revised Code for a mixed use development consisting of single family housing, offices and retail uses known as Traditions at Powell. The Authority desires to finance a portion of the costs of the Project by the issuance and, on a private placement basis, sale of a revenue note.

Auditor of State
Betty Montgomery

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

Powell Community Infrastructure Financing Authority
Delaware County
470 Olde Worthington Road, Suite 100
Westerville, Ohio 43082-8913

To the Board of Trustees:

We have audited the basic financial statements of the Powell Community Infrastructure Financing Authority (the Authority) as of and for the years ended December 31, 2004; December 31, 2003; and December 31, 2002, and have issued our report thereon dated August 24, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Authority's management dated August 24, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Authority's management dated August 24, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

August 24, 2005

SCHEDULE OF FINDINGS
DECEMBER 31, 2004; DECEMBER 31, 2003; and DECEMBER 31, 2002

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

FINDING NUMBER 2004-001

Monitoring Activity

Appropriate financial information was not provided to the Board of Trustees to provide effective monitoring over financial operations. Lack of effective monitoring could allow for operational failures and errors to occur without timely detection.

Monitoring should be performed to ensure that management's objectives are being achieved, including operational, legal compliance, and financial control objectives. Effective monitoring should entail identifying unexpected results or exceptions (including significant compliance exceptions), investigating underlying causes, and taking corrective action.

To assist management in detecting potential material financial and/or compliance transactions that may affect financial operations, we recommend that all members of the Board of Trustees become involved in the review and monitoring of the Authority's financial operations on a more frequent basis. Some of the methods of monitoring may consist of, but may not be limited to, the following:

- Review and comparison of financial report summaries of sufficient detail (monthly detailed revenue and expenditure reports and their respective fluctuations);
- Review of revenues/expenditures with independently accumulated information (budgets, past performance, etc.);
- Review of all expenditure transactions (i.e. check registers);
- Review of GAAP basis financial reports;
- Review of unusual or significant transactions and long outstanding items and;
- Review of monthly bank reconciliations.

Auditor of State
Betty Montgomery

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POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY

DELAWARE 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 29, 2005