

**LIBERTY COMMUNITY
INFRASTRUCTURE FINANCING AUTHORITY**
Delaware County

Financial Statements and
Independent Auditor's Reports

For the Fiscal Years Ended
December 31, 2005, 2004 and 2003





Mary Taylor, CPA

Auditor of State

Board of Trustees
Liberty Community Infrastructure Financing Authority
585 South Front Street
Suite 220
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Liberty Community Infrastructure Financing Authority, Delaware County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2003 through December 31, 2005. 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 Liberty Community Infrastructure Financing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 10, 2007

This Page is Intentionally Left Blank.

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements.....	11
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 <i>Government Auditing Standards</i>	25
Schedule of Findings.....	27
Schedule of Prior Audit Findings.....	28

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Liberty Community Infrastructure Financing Authority

We have audited the accompanying basic financial statements of the Liberty Community Infrastructure Financing Authority, Delaware County, Ohio (the Authority), as of and for the years ended December 31, 2005; December 31, 2004; and December 31, 2003, 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 Liberty Community Infrastructure Financing Authority, Delaware County, Ohio, as of December 31, 2005; December 31, 2004; and December 31, 2003, 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 February 23, 2007 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
February 23, 2007

This page intentionally left blank.

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003
(UNAUDITED)**

The management's discussion and analysis of the Liberty 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, 2005, 2004, and 2003. 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 1,579 acres in Delaware County, including the City of Powell.
2. The Authority donated infrastructure construction and improvements totaling \$4,454,147 to the City of Powell and Delaware County.
3. Net Assets at December 31, 2005 totaled a negative \$24,498,092. The negative Net Asset balance is caused by the costs incurred for capital assets acquired and improved, which were donated upon completion. The Authority accumulates infrastructure improvement costs that are reflected in the Statement of Net Assets, upon closing, as capital assets.
4. The Authority's debt increased in fiscal years 2003, 2004, and 2005 by \$25,516, \$1,950,000, \$1,969,439, respectively, including capitalized interest. The Authority previously incurred debt of \$6,545,000 and intergovernmental payable of \$16,356,971, prior to January 1, 2003. Both the Authority's debt and intergovernmental payable 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.

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003
(UNAUDITED)
(Continued)**

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 2005, 2004 and 2003.

	Table 1 Net Assets		
	2005	2004	2003
Assets:			
Current Assets	\$ 929,789	\$ 1,606,934	\$ 616,278
Capital Assets	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	929,789	1,606,934	616,278
Liabilities:			
Current Liabilities	162,228	145,019	0
Long Term Liabilities	<u>25,265,653</u>	<u>24,078,614</u>	<u>22,279,064</u>
Total Liabilities	25,427,881	24,223,633	22,279,064
Net Assets:			
Investment in Capital Assets net debt			
Unrestricted			
Total Net Assets	<u>\$(24,498,092)</u>	<u>\$(22,616,699)</u>	<u>\$(21,662,786)</u>

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003
(UNAUDITED)
(Continued)**

Net Assets: Net assets represent the difference between assets and liabilities. The Authority had net assets of negative \$21,662,786 in 2003 and a negative \$24,498,092 in 2005. Net Assets included Investment in Capital Assets, net of related debt. The Authority acquired infrastructure improvements of \$554,147 during 2003, \$1,648,000 during 2004, and \$2,252,000 during 2005. All improvements were contributed to the City of Powell and Delaware County.

Table 2 reflects the changes in net assets for fiscal years 2005, 2004 and 2003.

Table 2
Change in Net Assets

	2005	2004	2003
Operating Revenue	\$990,956	\$672,367	\$394,349
Non-Operating Revenues/Expenses			
Tap Fees	212,400	150,450	283,200
Earnings on Investments	13,534	4,252	4,776
Interest Expense	(498,048)	(287,981)	(251,757)
Operating Expenses	(57,235)	(136,001)	(15,153)
Income Before Contributions	661,607	403,087	415,415
Capital Contributions	(2,543,000)	(1,357,000)	(554,147)
Total (Increase) Decrease in Net Assets	\$(1,881,393)	\$(953,913)	\$(138,732)

Change in Net Assets: The Authority had a decrease in net assets for 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 acquires infrastructure improvements and then 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 acquire 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.

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003
(UNAUDITED)
(Continued)**

Capital Assets

All infrastructure assets are capitalized. The Authority does not depreciate capital assets as the assets are donated as acquired. The Authority donated infrastructure assets totaling \$554,147, \$1,357,000, and \$2,543,000 during fiscal years 2003, 2004, and 2005, respectively.

Debt

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

Current Issues

Pursuant to Resolution No. 2004-03 on May 4, 2004, the Board of Trustees of the Authority authorized the Authority to enter into an acquisition agreement. This agreement facilitates the purchase of Community Facilities. It consists of a mixed use development, known as Scioto Reserve Expansion and will include single family houses, offices, and retail uses. The issuance and private placement of a Community Facilities Adjustable Rate Notes, Series 2006A, has also been authorized to provide funds to acquire 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 John Parns, Treasurer, Liberty Community Infrastructure Financing Authority, 585 South Front Street, Suite 220, Columbus, Ohio 43215.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2005, 2004, AND 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 68,284	\$ 449,359	\$ 179,976
Accounts Receivable	144,550	177,000	177,000
Community Development Charge Receivable	602,520	387,575	259,302
Developer Prepayments	-	302,000	-
Due From Bond Holder	114,435	-	-
NONCURRENT ASSETS			
Construction in Progress	-	291,000	-
Total Assets	<u>929,789</u>	<u>1,606,934</u>	<u>616,278</u>
CURRENT LIABILITIES			
Accounts Payable	6,254	90,000	-
Accrued Interest Payable	155,974	55,019	-
LONG-TERM LIABILITIES			
Intergovernmental Payable	14,775,698	15,558,098	15,708,548
Community Facilities Bond Payable	10,489,955	8,520,516	6,570,516
Total Liabilities	<u>25,427,881</u>	<u>24,223,633</u>	<u>22,279,064</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(25,265,653)	(23,485,614)	(22,279,064)
Unrestricted	767,561	868,915	616,278
Total Net Assets	<u><u>\$(24,498,092)</u></u>	<u><u>\$(22,616,699)</u></u>	<u><u>\$(21,662,786)</u></u>

See Accompanying Notes to the Financial Statements

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating Revenues			
Community Development Charges	\$ 990,956	\$ 672,367	\$ 394,349
Total Operating Revenues	<u>990,956</u>	<u>672,367</u>	<u>394,349</u>
Operating Expenses			
Legal Fees	15,472	15,067	611
Accounting and Auditing Fees	38,634	115,730	11,120
Insurance	2,825	3,300	2,975
Other	304	1,904	447
Total Operating Expenses	<u>57,235</u>	<u>136,001</u>	<u>15,153</u>
Operating Income	933,721	536,366	379,196
Non-Operating Revenues (Expenses)			
Tap Fees	212,400	150,450	283,200
Interest and Dividend Revenue	13,534	4,252	4,776
Interest Expense	(498,048)	(287,981)	(251,757)
Total Non-Operating Revenues (Expenses)	<u>(272,114)</u>	<u>(133,279)</u>	<u>36,219</u>
Income Before Contributions	661,607	403,087	415,415
Capital Contributions	<u>(2,543,000)</u>	<u>(1,357,000)</u>	<u>(554,147)</u>
Change in Net Assets	(1,881,393)	(953,913)	(138,732)
Net Assets, Beginning of Year - As Restated	<u>(22,616,699)</u>	<u>(21,662,786)</u>	<u>(21,524,054)</u>
Net Assets, End of Year	<u><u>\$(24,498,092)</u></u>	<u><u>\$(22,616,699)</u></u>	<u><u>\$(21,662,786)</u></u>

See Accompanying Notes to the Financial Statements

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

	2005	2004	2003
<u>Cash Flows from Operating Activities</u>			
Cash Received from Community Development Charges	\$ 776,002	\$ 543,574	\$ 266,234
Cash Payments for Legal Fees	(15,364)	(15,068)	(4,002)
Cash Payments for Accounting and Auditing Fees	(121,838)	(25,730)	(14,453)
Cash for Payments Insurance	(2,700)	(3,300)	(2,975)
Cash Payments for Other	(1,070)	(1,383)	(12,557)
Net Cash Provided By Operating Activities	635,030	498,093	232,247
<u>Cash Flows from Investing Activities</u>			
Interest and Dividends	13,535	4,252	4,776
Net Cash Provided By Investing Activities	13,535	4,252	4,776
<u>Cash Flows from Capital and Related Financing Activities</u>			
Tap Fees	244,850	150,450	380,380
Interest Paid on Bonds	(492,090)	(232,962)	(266,746)
Acquisition of Capital Assets	-	-	(772,503)
Payments to Powell	(782,400)	(150,450)	(380,380)
Net Cash Used In Capital and Related Financing Activities	(1,029,640)	(232,962)	(1,039,249)
Net Increase (Decrease) In Cash	(381,075)	269,383	(802,226)
Cash, Beginning of year	449,359	179,976	982,202
Cash, End of year	\$ 68,284	\$ 449,359	\$ 179,976
<u>Reconciliation of Operating Gain to Net Cash</u>			
<u>Provided By Operating Activities</u>			
Operating Income	\$ 933,721	\$ 536,366	\$ 379,196
<u>Adjustments to Reconcile Operating Income to</u>			
<u>Net Cash Provided by Operating Activities</u>			
Increase in Development Charge Receivable	(214,945)	(128,273)	(128,116)
Increase (Decrease) in Payables	(83,746)	90,000	(18,833)
Net Cash Provided By Operating Activities	\$ 635,030	\$ 498,093	\$ 232,247

Non-Cash Capital Transactions

The Authority donated infrastructure improvements in the amount of \$554,147, \$1,357,000, and \$2,543,000 in fiscal years 2003, 2004, and 2005, respectively. In fiscal years 2004 and 2005, the Authority acquired infrastructure assets from developers in exchange for Developer Notes.

See Accompanying Notes to the Financial Statements

This page intentionally left blank.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 1 – REPORTING ENTITY

The Liberty 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 August 1, 2000, 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. 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 Commissioners’ Resolution No. 00-748 and approved September 11, 2000. 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 November 18, 2002, the County Commissioners, by their resolution amended the Petition to add certain territory to the area comprising the Authority.

On December 17, 2003, the Authority, the City of Powell and the Developer agreed, by a First Amendment to the Pre-Annexation Agreement, to adding land to the District. This application was filed with the Delaware County Commissioners on March 29, 2004. The properties were added on April 29, 2004.

The Authority is governed by a seven member Board of Trustees. The Delaware County Board of County Commissioners, a related organization appoints four of the Trustees, three (3) of whom are citizen members, to 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. 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.

At December 31, 2005, the Authority is comprised of approximately 1,579 acres of land located in Southern Delaware County, Ohio. 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.

NOTE 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.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 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 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, 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 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 held by A I M Management Group Inc. (AIM Funds). Investments held at AIM Funds are valued at AIM's reported share price.

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 as all infrastructure assets are capitalized. The Authority does not depreciate capital assets as all assets are donated upon completion/acquisition.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of construction in progress and developer prepayments, 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 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 had no restricted net assets at fiscal years end 2005, 2004, and 2003.

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 – NET ASSET DEFICIT

At December 31, 2005, 2004, and 2003, the Authority has a net asset deficit of net assets of \$24,498,092, \$22,616,699, and \$21,662,786, respectively. This deficit is the 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 acquiring, constructing, or improving community facilities. The titles to these assets have been 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.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 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, pass book 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 to 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).

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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 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. In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned. The carrying amount of the Authority's deposits at December 31, 2005 and 2004 was \$8,010 and \$185, respectively, and the bank balance was \$16,024 and \$198, respectively. The Authority had no deposits at December 31, 2003. In each year, the Authority's entire bank balance was covered by Federal Deposit Insurance.

Investments

The Authority's only investments were money market funds. The fair value of the Authority's money market funds at December 31, 2005, 2004 and 2003, were \$60,274, \$449,174, and \$179,976, respectively, and the carrying amount was the same.

Interest Rate Risk. 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 withdrawable on demand.

Credit Risk. Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Authority does not have a policy to limit its exposure to credit risk. The Authority's money market funds were unrated.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 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 property. 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.

Charge assessments are levied October 1 on the assessed values as of September 30 (the lien date), and on April 1 for the assessed values as of March 31 (the lien date). 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 City of Powell or the Delaware County Building Department.

The Pre-annexation agreement with the City of Powell permits the Authority to retain a sufficient amount of the development charge to cover the interest expense on the Community Facilities Developer Bonds, Series 2002. The remaining balance is paid to the City of Powell.

The assessed value of real property upon which 2005, 2004, and 2003 community development charges were based was \$193,357,268, \$131,406,169 and \$76,946,226, respectively.

NOTE 6 – TAP FEE CREDIT

On March 12, 2001, Delaware County granted the Authority the right to sell 763 single-family residential connection (tap) credits in order to enlarge the sanitary sewer trunk line for future development. The Authority may sell the taps to any builder within Delaware County. A 10% discount was offered on taps that were paid in full at the time of the tap permit filing. Tap fee credits are not considered an asset of the Authority. Revenue is recognized when a credit is sold.

Following the annexation of a portion of the Authority's territory by the City of Powell in 2002, all tap fee revenues received after the date of the Pre-Annexation agreement are to be paid to the City of Powell. All discounts on tap fee credits after the date of annexation also have to be approved by the City of Powell prior to offering.

At December 31, 2005, only two tap fee credits remained unsold.

NOTE 7 – RECEIVABLES

Receivables at December 31, 2005, 2004, and 2003 consisted of community development charges and accounts receivable relating to tap fees. All receivables are considered collectible in full within one year.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 8 – CAPITAL ASSETS

The Authority’s capital asset activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets				
Construction in Process	\$ -	\$ -	\$ -	\$ -
Depreciable Capital Assets				
Infrastructure	-	554,147	(554,147)	-
Total Capital Assets	\$ -	\$ 554,147	\$ (554,147)	\$ -

During fiscal year 2003, the Authority finalized infrastructure improvements in golf village, which were subsequently donated to the City of Powell.

The Authority’s capital asset activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets				
Construction in Process	\$ -	\$ 291,000	\$ -	\$ 291,000
Depreciable Capital Assets				
Infrastructure	-	1,357,000	(1,357,000)	-
Total Capital Assets	\$ -	\$ 1,648,000	\$ (1,357,000)	\$ 291,000

During fiscal year 2004, the Authority began constructing infrastructure in Liberty Village (\$291,000). In addition, the Authority acquired infrastructure in the Woods of Powell South (\$1,357,000), which was subsequently donated to the City of Powell (courts, drives, roads and ways) and Delaware County (water and sewer lines).

The Authority’s capital asset activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets				
Construction in Process	\$ 291,000	\$ 279,000	\$ (570,000)	\$ -
Depreciable Capital Assets				
Infrastructure	-	2,543,000	(2,543,000)	-
Total Capital Assets	\$ 291,000	\$ 2,822,000	\$ (3,113,000)	\$ -

During fiscal year 2005, the Authority completed construction in Liberty Village (\$279,000) and donated the infrastructure to Delaware County (\$570,000). In addition, the Authority acquired infrastructure in the Woods of Powell North (\$1,298,000) and the Villages of Scioto Reserve Condominiums (\$675,000). The Woods of Powell North infrastructure was donated to the City of Powell (courts, drives, roads and ways) and Delaware County (water and sewer lines). The Villages at Scioto Reserve Condominiums infrastructure was donated to Delaware County.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 9 – LONG-TERM OBLIGATIONS

The Authority’s long-term obligations activity for the years ended December 31, 2005, 2004, and 2003 was as follows:

Community Facilities Adjustable Rate Note	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2003					
Series 2002	6,545,000	25,516	-	6,570,516	-
2004					
Series 2002	6,570,516	-	-	6,570,516	-
Series 2004A	-	291,000	-	291,000	-
Series 2004B	-	302,000	-	302,000	-
Series 2004C	-	1,357,000	-	1,357,000	-
	<u>6,570,516</u>	<u>1,950,000</u>	<u>-</u>	<u>8,520,516</u>	<u>-</u>
2005					
Series 2002	6,570,516	-	-	6,570,516	-
Series 2004A	291,000	285,534	-	576,534	-
Series 2004B	302,000	214,285	-	516,285	-
Series 2004C	1,357,000	1,306,328	-	2,663,328	-
Series 2005A	-	163,292	-	163,292	-
	<u>8,520,516</u>	<u>1,969,439</u>	<u>-</u>	<u>10,489,955</u>	<u>-</u>

Community Facilities Adjustable Rate Bonds, Series 2002

On November 7, 2002, the Authority issued \$6,545,000 in Community Facilities Adjustable Rate Bonds to refund outstanding Community Facilities Bonds, Series 2001 and Excess Cost Advancement Notes of the Authority, which were issued for the purpose of providing funds to acquire and construct community facilities, and to acquire and develop land in connection with the same. Triangle Properties, Inc. is the registered owner of the Bonds.

The bonds’ interest rate adjusts each Thursday. The interest rate shall be equal to 275 basis points over the Bonds Market Association (BMA) Municipal Swap Index and computed on a basis of 365 days per year. Interest will be paid semi-annually on June 1 and December 1 with development charge revenue.

The bonds mature on December 1, 2033. The bonds are subject to optional redemption by the Authority at the direction of the City of Powell on any date after December 31, 2012 at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest at the redemption date, upon deposit of monies sufficient to cause such redemption with the Authority from the City of Powell. Community development charges are pledged for repayment of the Notes.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 9 – LONG-TERM OBLIGATIONS (Continued)

Community Facilities Adjustable Rate Notes, Series 2004A

On May 4, 2004, the Authority issued \$570,000 in Community Facilities Adjustable Rate Notes, Series 2004A, for the purpose of providing funds to acquire and construct community facilities. The interest rate is equal to 275 basis points over the BMA Municipal Swap Index on the Thursday that the interest rate is being adjusted, provided that, (1) through December 31, 2008, the Base Note Rate shall not exceed 4%, and (2) thereafter, the Base Note Rate shall not exceed 6%. Donald R. Kenney and Charles A. Vince are the registered owners of the Notes.

Principal of and interest on this Note shall be paid semi-annually on June 1 and December 1 of each year, in the following order: first, any interest which has accrued on the outstanding principal amount of this Note; second, the unpaid principal of this Note. Interest accrued, but not paid by June 1 or December 1 of each year (with respect to interest which has accrued during the prior calendar year), shall be added to the principal balance of the Note as of January 1st of the following year. Interest shall be calculated based on a year of 365 or 366 days, as appropriate, and on the actual number of days elapsed from January 1 to December 31 of each year.

The Note is subject to optional redemption at any time prior to stated maturity in whole, or in part, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest. Community development charges are pledged for repayment of the Notes.

Community Facilities Adjustable Rate Note, Series 2004B

On July 6, 2004, the Authority issued \$511,708 in Community Facilities Adjustable Rate Notes, Series 2004B, for the purpose of providing funds to acquire community facilities. The interest rate is equal to 275 basis points over the BMA Municipal Swap Index on the Thursday that the interest rate is being adjusted, provided that, (1) through December 31, 2008, the Base Note Rate shall not exceed 4%, and (2) thereafter, the Base Note Rate shall not exceed 6%. The Village at Scioto Reserve, LLC is the registered owner of the Notes.

Principal of and interest on this Note shall be paid semi-annually on June 1 and December 1 of each year, in the following order: first, any interest which has accrued on the outstanding principal amount of this Note; second, the unpaid principal of this Note. Interest accrued, but not paid by June 1 or December 1 of each year (with respect to interest which has accrued during the prior calendar year), shall be added to the principal balance of the Note as of January 1st of the following year. Interest shall be calculated based on a year of 365 or 366 days, as appropriate, and on the actual number of days elapsed from January 1 to December 31 of each year.

The Note is subject to optional redemption by the Authority at the direction of the City of Powell on any date after December 31, 2015 at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the redemption date, upon deposit by the City with the Authority of moneys sufficient to cause such redemption. Community development charges are pledged for repayment of the Notes.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 9 – LONG-TERM OBLIGATIONS (Continued)

Community Facilities Adjustable Rate Note, Series 2004C

On October 8, 2004, the Authority issued \$2,655,000 in Community Facilities Adjustable Rate Notes, Series 2004C, for the purpose of providing funds to acquire community facilities. The interest rate is equal to 275 basis points over the BMA Municipal Swap Index on the Thursday that the interest rate is being adjusted, provided that, (1) through December 31, 2008, the Base Note Rate shall not exceed 4%, and (2) thereafter, the Base Note Rate shall not exceed 6%. Donald R. Kenney and Charles A. Vince are the registered owners of the Notes.

Principal of and interest on this Note shall be paid semi-annually on June 1 and December 1 of each year, in the following order: first, any interest which has accrued on the outstanding principal amount of this Note; second, the unpaid principal of this Note. Interest accrued, but not paid by June 1 or December 1 of each year (with respect to interest which has accrued during the prior calendar year), shall be added to the principal balance of the Note as of January 1st of the following year. Interest shall be calculated based on a year of 365 or 366 days, as appropriate, and on the actual number of days elapsed from January 1 to December 31 of each year.

The Note is subject to optional redemption at any time prior to stated maturity in whole, or in part, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest. Community development charges are pledged for repayment of the Notes.

Community Facilities Adjustable Rate Note, Series 2005A

On May 5, 2005, the Authority issued \$163,292 in Community Facilities Adjustable Rate Notes, Series 2005A, for the purpose of providing funds to acquire community facilities. The interest rate is equal to 275 basis points over the BMA Municipal Swap Index on the Thursday that the interest rate is being adjusted, provided that, (1) through December 31, 2008, the Base Note Rate shall not exceed 4%, and (2) thereafter, the Base Note Rate shall not exceed 6%. The Village at Scioto Reserve, LLC is the registered owner of the Notes.

Principal of and interest on this Note shall be paid on June 1st and December 1st of each year, in the following order: first, any interest which has accrued on the outstanding principal amount of this Note; second, the unpaid principal of this Note. Interest accrued, but not paid by June 1st and December 1st of each year (with respect to interest which has accrued during the prior calendar year), shall be added to the principal balance of the Note as of January 1st of the following year. Interest shall be calculated based on a year of 365 or 366 days, as appropriate, and on the actual number of days elapsed from January 1 to December 31 of each year.

The Note is subject to optional redemption at any time prior to stated maturity in whole, or in part, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest. Community development charges are pledged for repayment of the Notes.

Debt Service to Maturity

Based on fluctuating interest rates and principal payment uncertainty, no debt service to maturity schedule has been presented

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 10 – RELATED PARTY TRANSACTIONS

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 (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. For fiscal years 2003 and 2004, the Authority also had a Fiscal and Accounting Services Agreement with the Developer which designated the Developer as the fiscal agent for all of the Authority's accounting services.

The entire original territory of the Authority was encompassed in the Golf Village development that was wholly owned by the Developer prior to the creation of the Authority. The land and infrastructure that was added to the territory by the Authority directly benefited and serviced the Golf Village Development. All land of the Golf Village Development is to be sold to additional developers by the Developer.

The Authority had an Infrastructure Acquisition and Construction Agreement with the Developer to acquire and construct certain community facilities within golf village. 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.

On November 7, 2002, the Authority issued \$6,545,000 in Community Facilities Adjustable Rate Bonds, Series 2002, for the purpose of refunding outstanding Community Facilities Bonds, Series 2001, and Excess Cost Advancement Notes. Triangle Properties, Inc. is the registered owner of the Bonds.

On May 4, 2004, the Authority issued \$570,000 in Community Facilities Adjustable Rate Notes, Series 2004A, for the purpose of providing funds to acquire and construct community facilities from Mid-States Development Corporation. On July 6, 2004, in consideration of the timing and uncertainty of the payment of the principal of and interest on the Note, Mid-States Development Corporation assigned and resold the \$570,000 Note to Donald R. Kenney and Charles A. Vince, members of the Authority's Board of Trustees, at a discounted price of \$256,500.

On July 6, 2004, the Authority issued \$511,708 in Community Facilities Adjustable Rate Notes, Series 2004B, for the purpose of providing funds to acquire community facilities from The Village at Scioto Reserve, LLC, which is owned by Donald R. Kenney, member of the Authority's Board of Trustees.

On October 8, 2004, the Authority issued \$2,655,000 in Community Facilities Adjustable Rate Notes, Series 2004C, for the purpose of providing funds to acquire community facilities from MI Homes of Central Ohio, LLC. On October 8, 2004, in consideration of the timing and uncertainty of the payment of the principal of and interest on the Note, MI Homes of Central Ohio, LLC assigned and resold the \$2,655,000 Note to Donald R. Kenney and Charles A. Vince, members of the Authority's Board of Trustees, at a discounted price of \$885,000.

On May 5, 2005, the Authority issued \$249,097 in Community Facilities Adjustable Rate Notes, Series 2005A, for the purpose of providing funds to acquire community facilities from The Village at Scioto Reserve, LLC, which is owned by Donald R. Kenney, member of the Authority's Board of Trustees.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 11 – INTERGOVERNMENTAL PAYABLE

On November 6, 2002, the City of Powell annexed a portion of the territory of the Authority into the City. In exchange, the City of Powell issued general obligation bonds, the proceeds of which, totaling \$16,356,971, were transferred to the Authority to refund a portion of the \$22,300,000 in Community Facilities Bonds, Series 2001.

The Authority has pledged the community development charge receipts generated by the portion annexed, as well as tap fee receipts, to repay the City for the bond proceeds received.

The Authority’s intergovernmental payable activity for the years ended December 31, 2005, 2004, and 2003 was as follows:

	Beginning Balance		Additions		Reductions	Ending Balance
2003	\$ 16,088,928	\$	-	\$	(380,380)	\$ 15,708,548
2004	15,708,548		-		(150,450)	15,558,098
2005	15,558,098		-		(782,400)	14,775,698

NOTE 12 – RISK MANAGEMENT

The Authority belongs to the Ohio Government Risk Management Plan (the “Plan”), an unincorporated non-profit association of more than 500 public entities from all parts of Ohio joined together in the largest alternative insurance program in the state.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides general liability (\$1,000,000 per occurrence/\$3,000,000 annual aggregate), employers’ liability (\$1,000,000 each accident/\$1,000,000 each employee/\$1,000,000 aggregate limit), public officials’ liability (\$1,000,000 each wrongful act/\$3,000,000 annual aggregate) coverage, as well as automobile (\$1,000,000 bodily injury and property damage) and crime (\$25,000 public employee dishonest/\$10,000 forgery and alteration/\$10,000 theft disappearance and destruction/\$1,000 computer fraud) coverage. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member’s deductible.

The Plan uses conventional insurance coverage and reinsures this coverage. Effective September 1, 2002, the Ohio Reinsurance Plan collects premium and shares in claims payments for liability (limited to 5% of a covered loss up to \$25,000) and property (limited to 5% of a covered loss up to \$50,000).

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003

NOTE 13 – CONTINGENT LIABILITIES

There are no claims or lawsuits pending against the Authority.

NOTE 14 – PRIOR PERIOD RESTATEMENT

Prior period adjustments - Prior period adjustments are the net effect of changes resulting from the correction of an error. Because such amounts are the product of errors from a prior period, they are not properly included as part of the results of operations of the current period, rather are reported as a direct adjustment to beginning net assets to restate that amount to what it would have been had the error not occurred.

The Authority recorded three prior period adjustments in fiscal year 2003 as a result of the following:

1. Error in accruing intergovernmental payable;
2. Error in accruing accounts payable; and
3. Error in recording accounts receivable.

The effects of these restatements are presented below:

Net Assets, December 31, 2002	\$ (22,092,616)
Intergovernmental Payable Overstatement	935,150
Accounts Payable Understatement	(162,868)
Accounts Receivable Overstatement	<u>(203,720)</u>
Net Assets, January 1, 2003	<u>(21,524,054)</u>

Intergovernmental Payable – intergovernmental payable was reconciled and changed to reflect the 2002 transaction by which the Authority received \$16,356,971 from Powell and remitted to Powell \$268,043, leaving a corrected balance of \$16,088,928 at December 31, 2002.

Accounts Payable - golf village construction costs incurred in fiscal year 2002 and paid in fiscal year 2003 were omitted from the December 31, 2002 balance.

Accounts Receivable - Tap fees sales and receipts were reconciled with the Delaware County Sanitary Engineer resulting in a corrected balance of \$274,180 at December 31, 2002.

NOTE 15 – SUBSEQUENT EVENT

On March 16, 2006, the Authority entered into an infrastructure acquisition agreement in order to facilitate the acquisition of certain community facilities and authorized the issuance of a note in the amount of \$5,414,195 in connection therewith.

This page intentionally left blank.

**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
Liberty Community Infrastructure Financing Authority

We have audited the basic financial statements of the Liberty Community Infrastructure Financing Authority, Delaware County, Ohio, (the Authority) as of and for the year ended December 31, 2005; December 31, 2004; and December 31, 2003, and have issued our report thereon dated February 23, 2007. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 to be reportable conditions. 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 the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However, we consider the reportable condition described 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 grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to management of the Authority in a separate letter dated February 23, 2007.

Liberty Community Infrastructure Financing Authority
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*
Page 2

This report is intended 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.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards
February 23, 2007

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005; DECEMBER 31, 2004; AND DECEMBER 31, 2003**

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

Finding Number	2005-001
-----------------------	-----------------

Authority Ledgers

The Authority should account for all transactions on its desired basis of accounting in a ledger format. Such a ledger format should provide sufficient detail for a reader or reviewer to be able to identify the individual transactions or accrual entries as well as the general nature or purpose of the transaction or entry. Transactions or accrual entries should be posted to the ledgers on the date that they occur or are made known. The account structure for the ledger should be set up in a format consistent with (or can be readily rolled into) the Authority's financial statement presentation.

We noted the following deficiencies in regards to the Authorities accounting ledgers:

- Transactions documenting infrastructure acquisitions and contributions were not recorded;
- Transactions documenting the issuance of debt were not recorded;
- Detailed subsidiary ledgers were not reconciled to the general ledger (i.e. tap fees);
- Numerous general journal entries lacked adequate supporting documentation; and
- A manual governing accounting policies and procedures does not exist.

These deficiencies result in the Authority's inability to prepare accurate and complete financial statements and an increased risk that errors or irregularities could occur and go undetected by management.

We recommend the Authority develop a policy and procedure manual to govern financial reporting. Said manual would summarize the Authority's significant accounting policies, define underlying documentation to support accounting transactions, and outline internal control procedures capable of ensuring the accuracy and completeness of the Authority's general accounting ledger (i.e. transaction approvals, general ledger account reconciliations, etc.).

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005; DECEMBER 31, 2004; AND DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Authority Ledgers	No	Not Corrected
2002-002	Bank to Book Reconciliations	Yes	Finding no longer valid
2002-003	Monitoring Activity	Yes	Finding no longer valid

Liberty Community Infrastructure Financing Authority
Board of Trustees

February 28, 2007

Kennedy, Cottrell + Associates
Attn: Jared Cottrell
383 North Front Street
Columbus, Ohio 43215

RE: Response to Schedule of Findings for 2003, 2004 and 2005 Audit

Mr. Jared Cottrell,

The audit committee for the Liberty Community Infrastructure Financing Authority (LCIFA) is made up of Charlie Vince and myself, Debra Miller. As such, I will be responding to the schedule of findings related to the financial statements for LCIFA.

Finding Number: 2005-001

The Authority should account for all transactions on its desired basis of accounting in a ledger format. We recommend the Authority develop a policy and procedure manual to govern financial reporting.

Response: The audit committee agrees. The Authority asked the audit committee at the January 2007 meeting to work on developing policies and procedures. However, the audit committee notes can not be completed for the unaudited 2006 fiscal year due to timing issues.

If you have any questions, please don't hesitate to let me know.

Thank you,

A handwritten signature in black ink, appearing to read "D. Miller". The signature is written in a cursive, flowing style.

Debra K. Miller
Board Member



Mary Taylor, CPA
Auditor of State

LIBERTY 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
MAY 10, 2007**