

**POWELL COMMUNITY
INFRASTRUCTURE FINANCING AUTHORITY**
Delaware County

Financial Statements and
Independent Auditor's Reports

For the Fiscal Years Ended
December 31, 2008 and 2007





Mary Taylor, CPA
Auditor of State

Board of Trustees
Powell Community Infrastructure Financing Authority
470 Old Worthington Rd., Suite 100
Westerville, OH 43082

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 20, 2009

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**POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Powell Community Infrastructure Financing Authority

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, 2008 and December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2009 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



Kennedy Cottrell Richards
June 26, 2009

**POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2008 AND 2007
(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 December 31, 2008 and 2007. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the 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 105 acres in Delaware County, including the City of Powell.
2. The Authority donated infrastructure construction and improvements totaling \$23,304 to the City of Powell in Delaware County in 2007.
3. Net Assets at December 31, 2008 totaled a negative \$3,059,771. The negative Net Asset balance is caused by the costs incurred for capital assets acquired and improved, which were donated upon completion.
4. The Authority's debt increased in fiscal years 2007 and 2008 by \$33,258 and \$16,366, respectively. The Authority's debt 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.

**POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2008 AND 2007
(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 6 and 7 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 8 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 2008, 2007 and 2006.

Table 1
Net Assets

| | 2008 | 2007 | 2006 |
|---|-----------------------------|------------------------------|-----------------------------|
| Assets: | | | |
| Current Assets | \$ 383,823 | \$ 340,587 | \$298,679 |
| Non-current Assets | <u>-</u> | <u>-</u> | <u>23,304</u> |
| Total Assets | 383,823 | 340,587 | 321,983 |
| Liabilities: | | | |
| Current Liabilities | 182,198 | 219,789 | 205,119 |
| Long Term Liabilities | <u>3,261,396</u> | <u>3,245,030</u> | <u>3,211,772</u> |
| Total Liabilities | 3,443,594 | 3,464,819 | 3,416,891 |
| Net Assets: | | | |
| Investment in Capital Assets Net of Related Debt | (3,261,396) | (3,245,030) | (3,188,468) |
| Unrestricted | <u>201,625</u> | <u>120,798</u> | <u>93,560</u> |
| Total Net Assets | <u>\$(3,059,771)</u> | <u>\$(3,124,232)</u> | <u>\$(3,094,908)</u> |

**POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2008 AND 2007
(UNAUDITED)
(Continued)**

Net Assets: Net assets represent the difference between assets and liabilities. The Authority had net assets of negative \$3,124,232 in 2007 and a negative \$3,059,771 in 2008. Net Assets included Investment in Capital Assets, net of related debt. In 2007 the Authority donated infrastructure improvements to the City of Powell in the amount of \$23,304.

Table 2 reflects the changes in net assets for fiscal years 2008, 2007, and 2006.

Table 2
Change in Net Assets

| | 2008 | 2007 | 2006 |
|---|------------------|--------------------|--------------------|
| Operating Revenue | \$260,120 | \$228,398 | \$184,359 |
| Non-Operating Revenues/Expenses | | | |
| Earnings on Investments | 3,577 | 5,877 | 5,985 |
| Interest Expense | <u>(180,498)</u> | <u>(214,235)</u> | <u>(204,336)</u> |
| Operating Expenses | <u>(18,738)</u> | <u>(26,060)</u> | <u>(16,013)</u> |
| Income (Loss) Before Contributions | 64,461 | (6,020) | (30,005) |
| Capital Contributions | <u>0</u> | <u>(23,304)</u> | <u>(435,144)</u> |
| Total Increase /(Decrease) in Net Assets | <u>\$ 64,461</u> | <u>\$ (29,324)</u> | <u>\$(465,149)</u> |

Change in Net Assets: The Authority had a decrease in net assets in 2007 and an increase in 2008. The decrease is 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. In 2008 revenues increased and interest expense decreased enough for Authority to realize an increase in net assets. Future performance will be dependent on future revenue grow and a moderation in operating expenses.

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.

**POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2008 AND 2007
(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 \$23,304 during fiscal year 2007 to the City of Powell.

Debt

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

Current Issues

Construction of the Powell Authority Infrastructure has been completed. The Traditions of Powell which was added to the Powell Authority during 2005 consists of both residential and commercial property. The residential portion has been completed, but not all units have been sold. One of the 2 commercial acres has been sold.

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, Powell Community Infrastructure Financing Authority, 585 South Front Street, Suite 220, Columbus, Ohio 43215.

Powell Community Infrastructure Financing Authority
Delaware County
Statements of Net Assets
As of December 31, 2008 and 2007

| | Dec 31, 08 | Dec 31, 07 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Current Assets | | |
| Checking/Savings | | |
| 1001 - Huntington National Bank #1483 | \$ 183 | \$ - |
| 1030 - Cash Aim Fund-Comm Dev. #1319H | 115,109 | 201,314 |
| 1032 - Cash Aim Fund-O&M #1317H | 119,244 | 11,792 |
| 1034 - Cash Aim Fund-Comm.Dev.#1378H | 18,544 | 4,368 |
| 1040 - Cash Powell Authority | - | (21) |
| Total Checking/Savings | 253,080 | 217,453 |
| Other Current Assets | | |
| 1210 - A/R Community Development Charge | 130,743 | 123,134 |
| | 383,823 | 340,587 |
| TOTAL ASSETS | \$ 383,823 | \$ 340,587 |
| LIABILITIES & EQUITY | | |
| Liabilities | | |
| Current Liabilities | | |
| 2000 - Accounts Payable | \$ 1,700 | \$ 5,554 |
| 2600 - Accrued Interest on ECA | 153,987 | 182,162 |
| 2610 - Accrued interest on Traditions | 26,511 | 32,073 |
| Total Current Liabilities | 182,198 | 219,789 |
| Long Term Liabilities | | |
| 2500 - Note Payable ECA | 2,746,267 | 2,758,868 |
| 2510 - Note Payable Traditions | 515,129 | 486,162 |
| Total Long Term Liabilities | 3,261,396 | 3,245,030 |
| Total Liabilities | 3,443,594 | 3,464,819 |
| Net Assets | | |
| Invested in Capital Assets Net of Related Debt | (3,261,396) | (3,245,030) |
| Unrestricted | 201,625 | 120,798 |
| Total Net Assets | \$ (3,059,771) | \$ (3,124,232) |

See Notes to the Financial Statements.

Powell Community Infrastructure Financing Authority
Delaware County
Statements of Revenues, Expenses and Changes in Net Assets
For The Years Ended December 31, 2008 and 2007

| | Jan - Dec 08 | Jan - Dec 07 |
|--|-----------------------|-----------------------|
| Ordinary Income/Expense | | |
| Income | | |
| 4000 - Community Development Income | \$ 260,120 | \$ 228,398 |
| Total Income | 260,120 | 228,398 |
| Expense | | |
| 5102 - Financial Management Services | 11,445 | 5,150 |
| 5105 - Legal Fees | 3,552 | 2,301 |
| 5110 - Auditor Expense | - | 13,960 |
| 5125 - Insurance | 2,688 | 2,814 |
| 5135 - Other expenses | 703 | 1,585 |
| 5150 - Board Meeting Expense | 350 | 250 |
| Total Operating Expense | 18,738 | 26,060 |
| Net Operating Income | 241,382 | 202,338 |
| Non-Operating Income (Expense) | | |
| Other Income | | |
| 9020 - Dividend Income | 3,577 | 5,877 |
| Other Expense | | |
| Interest Expense - Traditions | (180,498) | (214,235) |
| Total Non-Operating Expenses | (176,921) | (208,358) |
| Net Income (Loss) Before Capital Contribution | 64,461 | (6,020) |
| 9500 - Capital Contributions | - | (23,304) |
| Change in Net Assets | 64,461 | (29,324) |
| Beginning Net Assets | (3,124,232) | (3,094,908) |
| Ending Net Assets | \$ (3,059,771) | \$ (3,124,232) |

See Notes to the Financial Statements.

Powell Community Infrastructure Financing Authority
Delaware County
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

| | <u>Jan - Dec 08</u> | <u>Jan - Dec 07</u> |
|--|---------------------------------|---------------------------------|
| Cash Flows From Operating Activities | | |
| Cash Received From Community Development Charges | \$ 252,510 | \$ 200,150 |
| Cash Payments for Financial Management Services | (14,894) | - |
| Cash Payments for Legal Fees | (3,790) | (2,565) |
| Cash Payments for Audit Fees | - | (13,960) |
| Cash Payments for Insurance | (2,688) | (2,915) |
| Cash Payments for Other Expenses | (869) | (1,600) |
| Cash Payments for Board Meeting Expense | (350) | (250) |
| Net Cash Provided by Operating Activities | <u>229,919</u> | <u>178,860</u> |
| Cash Flows from Investing Activities | | |
| Cash Received from Interest and Dividends | 3,577 | 5,877 |
| Cash Flows from Capital and Related Financing Activities | | |
| Payment of Bond Principal | (12,601) | - |
| Payment of ECA Bond Interest | (182,162) | (167,414) |
| Payment of Tradition Bond Interest | (3,106) | (3,664) |
| Net Cash Used in Financing Activities | <u>(197,869)</u> | <u>(171,078)</u> |
| Net Increase in Cash | 35,627 | 13,659 |
| Cash, Beginning of year | 217,453 | 203,794 |
| Cash, End of year | <u><u>\$ 253,080</u></u> | <u><u>\$ 217,453</u></u> |
| Reconciliation of Operating Gain to Net Cash Provided by Operating Activities | | |
| Operating Income | \$ 241,382 | \$ 202,338 |
| Adjustments to reconcile Net Income to net cash provided by operations: | | |
| (Increase) Decrease in Community Development A/R | (7,609) | (28,249) |
| Increase (Decrease) in Accounts Payable | (3,854) | 4,771 |
| Net cash provided by Operating Activities | <u><u>\$ 229,919</u></u> | <u><u>\$ 178,860</u></u> |

See Notes to the Financial Statements.

Powell Community Infrastructure Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

NOTE 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. At inception, the Board of County Commissioners of Delaware County appointed four of the trustees and the remaining three trustees were appointed by the Developer. All appointed trustees have since been replaced by elected citizen members of the new community district.

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. It also includes the addition of approximately 7 acres, known as Traditions of Powell, by resolution in 2005. It consists of a 40-unit condominium community and 2 commercial lots located in Powell, Ohio within the boundaries of West Olentangy Street, Case Avenue and Lincoln Street. The entire project includes the construction of waterline, sanitary sewer, main line sanitary sewer, storm sewer, bike path, roads and street improvements.

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.

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.

Powell Community Infrastructure Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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

Amounts on deposit in a checking account with Huntington National Bank and investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash and 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. Infrastructure assets acquired or constructed by the Authority are capitalized; however, the Authority does not depreciate capital assets as all assets are donated upon acquisition/completion.

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 2008 and 2007.

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.

Powell Community Infrastructure Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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 - ACCUMULATED DEFICIT OF NET ASSETS

At December 31, 2008 and 2007, the Authority has an accumulated deficit of net assets of \$3,059,771 and \$3,124,232 respectively. 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 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.

NOTE 4 - DEPOSITS AND INVESTMENTS

Statement No. 3 as amended by Statement No. 40 of the Governmental Accounting Standards Board requires the Authority to disclose essential risk information about deposits and investments. The disclosure requirements cover four main areas: credit risk, interest rate and investment maturity, interest rate sensitivity and foreign exchange exposure.

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 Authority's deposits are protected only up to amounts covered by the Federal Depository Insurance Corporation (FDIC). The Authority had no deposits at fiscal years ended 2008 and 2007.

Investments

The Authority's only investments consisted of money market funds. At fiscal years ended 2008 and 2007, the Authority's investment balances were \$252,897 and \$217,474, respectively.

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. The Authority's investments in money market funds are withdraw able 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 not rated.

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 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.

**Powell Community Infrastructure Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

NOTE 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.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2008 and 2007 consisted of community development charges. All receivables are considered collectible in full within one year.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, was as follows:

| | January 1, 2008 | Additions | Reductions | December 31, 2008 |
|--------------------------------|--------------------|------------|------------|----------------------|
| NonDepreciable Capital Assets: | | | | |
| Construction In Progress | \$0 | \$0 | \$0 | \$0 |
| Total Capital Assets, Net | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

Capital asset activity for the year ended December 31, 2007, was as follows:

| | January 1, 2007 | Additions | Reductions | December 31, 2007 |
|--------------------------------|--------------------|------------|-------------------|----------------------|
| NonDepreciable Capital Assets: | | | | |
| Construction In Progress | \$23,304 | \$0 | (\$23,304) | \$0 |
| Total Capital Assets, Net | <u>\$23,304</u> | <u>\$0</u> | <u>(\$23,304)</u> | <u>\$0</u> |

In March 2007, road improvements in the amount of \$23,304 were transferred to the City of Powell. These include improvements for West Olentangy, Case Avenue and Lincoln Street.

NOTE 8 – RISK POOL MEMBERSHIP

The Authority belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

**Powell Community Infrastructure Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

NOTE 8 – RISK POOL MEMBERSHIP (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan. Settlement amounts did not exceed insurance coverage for the past three fiscal years.

NOTE 9 - LONG-TERM OBLIGATIONS

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

| Community Facilities Adjustable Rate Note – Series 2002 | Balance January 1 | Additions | Reductions | Balance December 31 |
|--|----------------------|-----------|------------|------------------------|
| Year: | | | | |
| 2007 | \$2,749,533 | \$9,335 | \$0 | \$2,758,868 |
| 2008 | \$2,758,868 | \$0 | \$12,601 | \$2,746,267 |

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.

**Powell Community Infrastructure Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

NOTE 9 - LONG-TERM OBLIGATIONS - CONTINUED

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.

Community Facilities Adjustable Rate Note, Series 2007

| Community Facilities Adjustable Rate Note – Series 2007 | Balance January 1 | Additions | Reductions | Balance December 31 |
|---|-------------------|-----------|------------|---------------------|
| Year: | | | | |
| 2007 | \$462,239 | \$23,923 | \$0 | \$486,162 |
| 2008 | \$486,162 | \$28,967 | \$0 | \$515,129 |

On June 17, 2005, the Authority issued \$458,448 in Community Facilities Adjustable Rate Notes which were issued for the purpose of providing funds to acquire and construct Community Facilities and to acquire and develop land in connection with same and to pay associated financing costs. Donald R. Kenney, Sr. is the registered owner of the notes.

The proceeds of the notes were used to extend a water line, to provide storm water retention in parking areas and to improve traffic flow with road improvements including a left turn lane. 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.

Powell Community Infrastructure Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

NOTE 9 - LONG-TERM OBLIGATIONS - CONTINUED

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 seven percent (7 %) 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 1.25 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 and one-half per centum (6.5%) 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, 2007, 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.

NOTE 10- CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

NOTE 11 - 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). Also, the Authority 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. Series 2005 totaling \$458,448 were later issued for the Traditions at Powell with Donald R. Kenney being the registered owner of the notes.

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
Powell Community Infrastructure Financing Authority

We have audited the accompanying basic financial statements of the Powell Community Infrastructure Financing Authority, Delaware County (the Authority), as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated June 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

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

Kennedy Cottrell Richards LLC
Columbus, Ohio
June 26, 2009

POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

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

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---------------------|------------------|---|
| 2006-01 | Financial Reporting | Yes | |



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 1, 2009