

New Albany Community Authority

Franklin County, Ohio

Regular Audit

January 1, 2008 through December 31, 2009

Fiscal Years Audited Under GAGAS: 2009 and 2008



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Mary Taylor, CPA
Auditor of State

Board of Trustees
New Albany Community Authority
8000 Walton Parkway, Suite 120
New Albany, Ohio 43054

We have reviewed the *Independent Auditor's Report* of the New Albany Community Authority, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2009. 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 New Albany Community Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 10, 2010

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New Albany Community Authority
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For the Years Ended December 31, 2009 and 2008

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Board of Trustees
New Albany Community Authority
8000 Walton Parkway, Suite 120
New Albany, Ohio 43054

Independent Auditor's Report


We have audited the financial statements of the business-type activities of the New Albany Community Authority, Franklin County, Ohio, (the Authority), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of December 31, 2009 and 2008, and the 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 date April 9, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should 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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Balestra, Harr & Scherer, CPAs, Inc.

April 9, 2010

New Albany Community Authority
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008
(Unaudited)

The discussion and analysis of the New Albany Community Authority's financial performance provides an overview of the Authority's financial performance as a whole for the years ended December 31, 2009 and 2008. The intention of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current years and prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for 2009 and 2008 follow:

- Total assets decreased \$521,514, or 2.14%, between 2008 and 2009 and \$13,157,632 or 35.07%, between 2007 and 2008. Total liabilities decreased \$3,349,549, or 5.71%, between 2008 and 2009 and \$3,068,635, or 4.97%, between 2007 and 2008. Total net assets increased \$2,828,035 or 8.22%, between 2008 and 2009 and decreased \$10,088,997, or 41.65%, between 2007 and 2008.
- Total revenues decreased \$2,503,014, or 23.98%, between 2008 and 2009 and decreased \$2,204,056, or 17.43%, between 2007 and 2008. Total expenditures decreased \$15,420,046, or 75.12%, between 2008 and 2009 and increased \$13,107,460, or 176.65%, between 2007 and 2008.

Using this Annual Financial Report

This financial report contains the basic financial statements of the Authority, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the year?" This statement include all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by private sector companies. This basis of accounting takes into account all revenues and expenses during the year regardless of when the cash is received or paid.

This statement reports the Authority's net assets, however, in evaluating the overall position and financial viability of the Authority, non-financial information, such as the condition of Authority's capital assets, will also need to be evaluated.

New Albany Community Authority
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008
(Unaudited)

Table 1 provides a summary of the Authority's net assets for 2009 and 2008 compared to 2007.

Table 1
Net Assets

	2009	2008	2009/2008 Change	2007	2008/2007 Change
Assets					
Current and Other Assets	\$23,834,349	\$24,355,863	\$(521,514)	\$22,917,527	\$1,438,336
Capital Assets	0	0	0	14,595,968	(14,595,968)
Total Assets	23,834,349	24,355,863	(521,514)	37,513,495	(13,157,632)
Liabilities					
Other Liabilities	1,063,638	1,213,187	(149,549)	2,151,822	(938,635)
Long-Term Liabilities	54,255,000	57,455,000	(3,200,000)	59,585,000	(2,130,000)
Total Liabilities	55,318,638	58,668,187	(3,349,549)	61,736,822	(3,068,635)
Net Assets					
Invested in Capital Assets Net of Debt	0	0	0	14,595,968	(14,595,968)
Unrestricted	(31,484,289)	(34,312,324)	2,828,035	(38,819,295)	4,506,971
Total Net Assets	(\$31,484,289)	(\$34,312,324)	\$2,828,035	(\$24,223,327)	\$(10,088,997)

The decrease in total assets between 2008 and 2009 was due to an increase in cash and equivalents of \$278 thousand that was more than offset by a decrease in accounts receivable of \$781 thousand, related to the community development charge, income tax and lease receivable. The decrease in liabilities between 2008 and 2009 was due to principal payments on outstanding bonds of \$3.2 million,

The decrease in total assets between 2007 and 2008 was due to a decrease in capital assets of \$14.6 million. The decrease in liabilities between 2007 and 2008 was due to principal payments on outstanding bonds of \$2.1 million,

New Albany Community Authority
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008
(Unaudited)

Table 2 provides a summary of changes in the Authority's net assets for 2009 and 2008 as well as revenue and expense comparison to 2007.

Table 2
Changes in Net Assets

	2009	2008	2009/2008 Change	2007	2008/2007 Change
<i>Revenues</i>					
<i>Operating Revenue</i>					
Community development charge	\$4,031,758	\$3,873,284	\$158,474	\$3,980,998	(\$107,714)
Lease interest income	64,200	69,826	(5,626)	75,169	(5,343)
Village of New Albany income tax	3,777,862	6,200,991	(2,423,129)	5,540,432	660,559
<i>Total operating revenue</i>	<u>7,873,820</u>	<u>10,144,101</u>	<u>(2,270,281)</u>	<u>9,596,599</u>	<u>547,502</u>
<i>Non-operating revenue</i>					
Capital Grants – Performing Arts Center	0	0	0	2,231,378	(2,231,378)
Interest income	61,666	294,399	(232,733)	814,579	(520,180)
<i>Total non-operating revenue</i>	<u>61,666</u>	<u>294,399</u>	<u>(232,733)</u>	<u>3,045,957</u>	<u>(2,751,558)</u>
<i>Total revenue</i>	<u>7,935,486</u>	<u>10,438,500</u>	<u>(2,503,014)</u>	<u>12,642,556</u>	<u>(2,204,056)</u>
<i>Expenses</i>					
<i>Operating expenses</i>					
Advertising	0	0	0	406	(406)
Bank charges	1,519	1,570	(51)	0	1,570
Insurance	1,438	5,241	(3,803)	5,227	(14)
Accounting fees	15,427	14,429	998	15,939	(1,510)
Legal fees	27,880	12,082	15,798	8,366	3,716
Professional fees	3,550	1,861	1,689	3,406	(1,545)
Bond trustee fees	8,420	21,575	(13,155)	42,090	(20,515)
Remarketing fees	11,877	13,503	(1,626)	12,803	700
Amortization	63,774	63,774	0	63,774	0
Letter of credit fees	112,891	80,825	32,066	16,122	64,703
<i>Total operating expenses</i>	<u>246,776</u>	<u>214,860</u>	<u>31,916</u>	<u>168,133</u>	<u>46,727</u>
<i>Non-operating expenses</i>					
Interest expense	2,605,788	2,797,479	(191,691)	3,061,328	(263,849)
Donation of assets	2,254,887	17,515,158	(15,260,271)	4,190,576	13,324,582
<i>Total non-operating expenses</i>	<u>4,860,675</u>	<u>20,312,637</u>	<u>(15,451,962)</u>	<u>7,251,904</u>	<u>13,060,733</u>
<i>Total expenses</i>	<u>5,107,451</u>	<u>20,527,497</u>	<u>(15,420,046)</u>	<u>7,420,037</u>	<u>13,107,460</u>
<i>Change in net assets</i>	2,828,035	(10,088,997)	12,917,032	5,222,519	(15,311,516)
<i>Beginning net assets</i>	<u>(34,312,324)</u>	<u>(24,223,327)</u>	<u>(10,088,997)</u>	<u>(29,445,846)</u>	<u>5,222,519</u>
<i>Ending net assets</i>	<u>(\$31,484,289)</u>	<u>(\$34,312,324)</u>	<u>\$2,828,035</u>	<u>(\$24,223,327)</u>	<u>\$(10,088,997)</u>

New Albany Community Authority
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The decrease in total revenues between 2008 and 2009 was due largely to a decrease in Community Development Charge of \$158 thousand and a decrease in income taxes of \$2.4million. The decrease in total expenses between 2008 and 2009 was due to a decrease in donation of assets of \$15.2 million and a decrease in interest expense of \$1.91 thousand.

The increase in total revenues between 2007 and 2008 was due largely to an increase in income taxes of \$.66million). The increase in total expenses of \$13.11 million between 2007 and 2008 was due an increase in donation of assets.

Debt Administration

The Authority finances construction in progress primarily through the issuance of bonds. At December 31, 2009 and 2008, debt outstanding was \$54,255,000 and \$57,455,000, respectively. See Note 10 of the notes to the basic financial statements for more detailed information on the Authority's debt obligations.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives, spends and invests. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Brent Bradbury, Chief Financial Officer, 8000 Walton Parkway, Suite 120, New Albany, Ohio, 43054.

New Albany Community Authority
Statement of Net Assets
December 31, 2009

Assets:

Cash and cash equivalents	\$ 169,639
Cash with fiscal and escrow agents	17,159,157
Community development charge receivable	4,021,503
Income tax receivable	275,557
Lease receivable	1,203,600
Infrastructure reimbursement receivable	985
Unamortized financing costs	<u>1,003,908</u>

Total assets: \$ 23,834,349

Liabilities:

Accounts payable	\$ 42,150
Interest payable	777,888
Unearned income	243,600
Long term liabilities:	
Due within one year	2,490,000
Due in more than one year	<u>51,765,000</u>

Total liabilities: 55,318,638

Net Assets:

Unrestricted net assets (31,484,289)

Total net assets: (\$31,484,289)

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2009

Operating revenues:

Community development charge	\$ 4,031,758
Lease interest income	64,200
Village of New Albany income tax	<u>3,777,862</u>

Total operating revenues: 7,873,820

Operating expenses:

Bank charges	1,519
Insurance	1,438
Accounting fees	15,427
Legal fees	27,880
Professional fees	3,550
Bond trustee fees	8,420
Remarketing fees	11,877
Amortization	63,774
Letter of credit fees	<u>112,891</u>

Total operating expenses: 246,776

Operating income: 7,627,044

Non-operating revenues/(expenses):

Interest income	61,666
Donation of Capital Assets	(2,254,887)
Interest expense	<u>(2,605,788)</u>

Total non-operating revenues/(expenses): (4,799,009)

Net income: 2,828,035

Net assets at beginning of year (34,312,324)

Net assets at end of year \$ (31,484,289)

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Cash Flows
For the Year Ended December 31, 2009

Increase/(decrease) in cash and cash equivalents

Cash flows from operating activities:

Cash received from community development charge	\$ 3,908,504
Cash received from village income tax	4,475,008
Cash received from lease	174,200
Cash payments for administrative expenses	(110,239)
Cash payments for letter of credit fees	(112,891)
	<u>8,334,582</u>

Net cash provided by operating activities: 8,334,582

Cash flows from capital and related financing activities:

Cash payments for debt service principal	(3,200,000)
Cash payments for debt service interest	(2,651,009)
Acquisition and construction of capital assets	(2,267,337)
	<u>(8,118,346)</u>

Net cash used by capital and related financing activities: (8,118,346)

Cash flows from investing activities:

Interest	<u>61,666</u>
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Net cash provided by investing activities: 61,666

Net decrease in cash and cash equivalents: 277,902

Cash and cash equivalents at beginning of year 17,050,894

Cash and cash equivalents at end of year \$ 17,328,796

Reconciliation of operating income to net cash provided by operating activities:

Operating income \$ 7,627,044

Adjustments to reconcile operating income to net cash provided by operating activities:

Amortization 63,774

Changes in assets and liabilities:

(Increase)/decrease in community development charge receivable	(123,254)
(Increase)/decrease in income tax receivable	697,146
(Increase)/decrease in lease receivable	174,200
Increase/(decrease) in accounts payable	(40,128)
Increase/(decrease) in unearned income	(64,200)
	<u>(64,200)</u>

Net cash provided by operating activities: \$ 8,334,582

Supplemental Schedule of Noncash Investing Activity

Donation of Capital Assets \$ 2,254,887

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Net Assets
December 31, 2008

Assets:

Cash and cash equivalents	\$ 235,998
Cash with fiscal and escrow agents	16,814,896
Community development charge receivable	3,898,249
Income tax receivable	972,703
Lease receivable	1,377,800
Infrastructure reimbursement receivable	34,094
Unamortized financing costs	<u>1,022,123</u>

Total assets: \$ 24,355,863

Liabilities:

Accounts payable	82,278
Interest payable	823,109
Unearned income	307,800
Long term liabilities:	
Due within one year	2,400,000
Due in more than one year	<u>55,055,000</u>

Total liabilities: 58,668,187

Net assets:

Unrestricted net assets (34,312,324)

Total net assets: (\$34,312,324)

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2008

Operating revenues:

Community development charge	\$ 3,873,284
Lease interest income	69,826
Village of New Albany income tax	<u>6,200,991</u>

Total operating revenues: 10,144,101

Operating expenses:

Bank Charges	1,570
Insurance	5,241
Accounting fees	14,429
Legal fees	12,082
Professional fees	1,861
Bond trustee fees	21,575
Remarketing fees	13,503
Amortization	63,774
Letter of credit fees	<u>80,825</u>

Total operating expenses: 214,860

Operating income: 9,929,241

Non-operating revenues/(expenses):

Interest income	294,399
Interest expense	(2,797,479)
Donation of Capital Assets	<u>(17,515,158)</u>

Total non-operating revenues/(expenses): (20,018,238)

Net income: (10,088,997)

Net assets at beginning of year (24,223,327)

Net assets at end of year (\$34,312,324)

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Cash Flows
For the Year Ended December 31, 2008

Increase/(decrease) in cash and cash equivalents

Cash flows from operating activities:

Cash received from community development charge	\$3,969,033
Cash received from village income tax	5,777,499
Cash received from lease	169,826
Cash payments for administrative expenses	(911,112)
Cash payments for letter of credit fees	(80,825)
	<u>8,924,421</u>

Net cash provided by operating activities: 8,924,421

Cash flows from capital and related financing activities:

Cash payments for debt service principal	(2,130,000)
Cash payments for debt service interest	(2,825,437)
Acquisition and construction of capital assets	(2,952,299)
	<u>(7,907,736)</u>

Net cash used by capital and related financing activities: (7,907,736)

Cash flows from investing activities:

Interest	294,399
	<u>294,399</u>

Net cash provided by investing activities: 294,399

Net Increase in cash and cash equivalents: 1,311,084

Cash and cash equivalents at beginning of year 15,739,810

Cash and cash equivalents at end of year \$17,050,894

Reconciliation of operating income to net cash provided by operating activities:

Operating income \$9,929,241

Adjustments to reconcile operating income to net cash provided by operating activities:

Amortization 63,774

Changes in assets and liabilities:

(Increase)/decrease in community development charge receivable	95,749
(Increase)/decrease in income tax receivable	(423,492)
(Increase)/decrease in lease receivable	169,826
Increase/(decrease) in contracts payable	(562,673)
Increase/(decrease) in accounts payable	(278,178)
Increase/(decrease) in unearned income	(69,826)
	<u>(69,826)</u>

Net cash provided by operating activities: \$8,924,421

See accompanying notes to the financial statements.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 1-DESCRIPTION OF THE ENTITY

The New Albany Community Authority is a “community authority” created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On July 7, 1992, the New Albany Company Limited Partnership (the Developer) filed a petition (the Petition) for the creation of the Authority with the Board of County Commissioners of the County of Franklin, Ohio. The Petition, which may be subject to amendment or other change, allows the Authority to finance up to \$41,450,000 of “costs” of publicly owned and operated community facilities including, but not limited to, the acquisition or construction of a new school, roads, a fire station, and a fire truck. In accordance with the Act, the Petition was accepted by the County Commissioners’ Resolution No. 699-92, adopted July 7, 1992. By its Resolution on August 24, 1992, the County Commissioners determined that the new community district would be conducive to the public health, safety, convenience, and welfare, and that it was intended to result in the development of a new community as described in the Act. The Authority thereby organized as a body corporate and politic in the State. On July 7, 1996, the County Commissioners, by their Resolution amended the Petition to increase the “costs” from \$41,450,000 to \$43,450,000.

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

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

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

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

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

The more significant of the Authority’s accounting policies are described below.

A. Basis of Presentation:

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. The statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

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

C. Capital Assets (Construction in Progress)

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

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

Capitalization of Interest: Interest is capitalized on assets acquired and/or constructed with tax-exempt debt. The Authority's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds of the same period. Capitalized interest would be expensed as part of the asset when it is donated or amortized on the straight line basis over the estimated useful life of the asset. For 2007 and 2006, the net interest expense incurred on Authority construction projects was insignificant.

D. Community Development Charge Receivable

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

NOTE 3-ACCUMULATED DEFICIT

At December 31, 2009 and 2008, the Authority had accumulated deficits of \$31,484,289 and \$34,312,324, 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 incurs the costs of constructing community facilities. The titles to these assets are then transferred to the community and the related costs are recorded as an expense. This deficit will be reduced and eliminated as outstanding debt is paid. See Note 10 for further discussion of debt repayment.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 4-CASH AND CASH EQUIVALENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which 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 passbook accounts.

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Authority by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 4-CASH AND CASH EQUIVALENTS (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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Authority has no deposit policy for custodial credit risk.

At year end December 31, 2009 and 2008, the carrying amounts of the Authority's deposits were \$161,639 and \$235,998, respectively. The bank balances were \$161,639 and \$235,998, respectively. The total bank balances were federally insured up to \$250,000 and the remaining balances were either collateralized by investments held by a third party trustee not in the name of the Authority or were uninsured and uncollateralized.

Investments

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the Authority or the Authority's agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 4-CASH AND CASH EQUIVALENTS (continued)

	Category 1	Category 2	Carrying/Fair Value	Weighted Average Maturity (Years)
2009				
Money Market	\$0	\$17,159,157	\$17,159,157	< 1 year
Total	<u>\$0</u>	<u>\$17,159,157</u>	<u>\$17,159,157</u>	
2008				
Money Market	\$0	\$16,814,896	\$16,814,896	< 1 year
Total	<u>\$0</u>	<u>\$16,814,896</u>	<u>\$16,814,896</u>	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Authority manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority limits its investments to money market accounts, and U.S. Government Securities. Investments in U.S. Government Securities was rated AAA by Standard and Poor's.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's investment policy allows investments in money market accounts, certificates of deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. For the years ended December 31, 2009, the Authority has invested 100% of its investments in money market accounts. For the year ended December 31, 2008, the Authority has invested 100% of its investments in U.S. Government Securities.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk.

All of the Authority's investments are either insured and registered in the name of the Authority or at least registered in the name of the Authority.

NOTE 5-CASH WITH FISCAL AND ESCROW AGENTS

At year end December 31, 2009 and 2008, the carrying amounts of the Authority's cash with fiscal and escrow agents were \$16,814,896 and \$17,159,157, respectively. These amounts are held in escrow for projects funded by bond issuances. These funds are held in U.S. Treasury Money Market Funds held by the Trustees.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 6-COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community development charge up to 9.75 mills on the assessed value of all property within the District. The charge was levied at 4.75 mills and 4.75 mills for 2009 and 2008, respectively. Charge revenue recognized represents the amount levied as of October 1 of the preceding year.

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

The 2009 and 2008 assessed values of all property within the District were \$846,631,518 and \$820,684,011, respectively. The 2009 and 2008 receivables recognized based on these figures were \$4,021,503 and \$3,898,249, respectively.

NOTE 7-CAPITAL ASSETS

Changes in construction in progress during 2008 were as follows:

<u>Construction in Progress</u>	<u>Balance at 12/31/07</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance at 12/31/08</u>
Economic Development Fund	\$0	\$1,250,000	\$1,250,000	\$0
Performing Arts Center	14,595,968	1,669,190	16,265,158	0
Total	<u>\$14,595,968</u>	<u>\$2,919,190</u>	<u>\$17,515,158</u>	<u>\$0</u>

Changes in construction in progress during 2009 were as follows:

<u>Construction in Progress</u>	<u>Balance at 12/31/08</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance at 12/31/09</u>
Economic Development Fund	\$0	\$2,254,887	\$2,254,887	\$0
Total	<u>\$0</u>	<u>\$2,254,887</u>	<u>\$2,254,887</u>	<u>\$0</u>

NOTE 8-DIRECT FINANCING LEASE

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

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 8-DIRECT FINANCING LEASE (continued)

The amortization of the lease payments as of December 31, 2009 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$115,000	\$57,600	\$172,600
2011	120,000	50,700	170,700
2012	130,000	43,500	173,500
2013	135,000	35,700	170,700
2014	145,000	27,600	172,600
2015-2017	315,000	28,500	343,500
Total	<u>\$960,000</u>	<u>\$243,600</u>	<u>\$1,203,600</u>

NOTE 9-VILLAGE OF NEW ALBANY INCOME TAX

The Authority receives 30% and 50%, respectively, from Phase I and Phase II of the gross income tax revenues collected by the Village of New Albany for the Economic Opportunity Zone. The Economic Opportunity Zone is approximately 950 acres of land that the New Albany Company is developing into a business campus. The Village of New Albany Income Tax is used to make payments on the Multi-Purpose Infrastructure Bonds described in Note 10.

NOTE 10-DEBT

Changes in the Authority's long-term liabilities during 2009 and 2008 consisted of the following:

	<u>Outstanding</u>			<u>Outstanding</u>	<u>Amounts</u>
	<u>12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2009</u>	<u>Due Within</u>
					<u>One Year</u>
Community Facilities Refunding Bonds, Series B, 2001, \$52,965,000, 3-5.5%	\$46,185,000	\$0	\$1,690,000	\$44,495,000	\$1,775,000
Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series C, \$16,100,000, .25-4%	10,200,000	0	\$1,400,000	8,800,000	600,000
Wellness Center Revenue Bonds, 1996, \$2,000,000, 4-6%	1,070,000	0	110,000	960,000	115,000
Total	<u>\$57,455,000</u>	<u>\$0</u>	<u>\$3,200,000</u>	<u>\$54,255,000</u>	<u>\$2,490,000</u>

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 10-DEBT (continued)

	Outstanding 12/31/2007	Additions	Reductions	Outstanding 12/31/2008	Amounts Due Within One Year
Community Facilities Refunding Bonds, Series B, 2001, \$52,965,000, 3-5.5%	\$47,615,000	\$0	\$1,430,000	\$46,185,000	\$1,690,000
Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series C, \$16,100,000, 2-4%	10,800,000	0	600,000	10,200,000	600,000
Wellness Center Revenue Bonds, 1996, \$2,000,000, 4-6%	1,170,000	0	100,000	1,070,000	110,000
Total	\$59,585,000	\$0	\$2,130,000	\$57,455,000	\$2,400,000

Community Facilities Refunding Bonds, Series B: In 2001, the Authority issued Community Facilities Refunding Bonds, Series B in the amount of \$52,965,000. The proceeds of the bonds were used to advance refund Community Facilities Bonds, Series A and current refund Subordinated Notes held by the New Albany Company. The bonds have a final stated principal maturity of October 1, 2024, with mandatory principal redemptions on December 1 in the years 2003 through 2024. Except for bond service reserve referred to below, the Authority's Community Development Charge is the sole source of funds for principal and interest payments. The reserve account for the bonds was initially funded at \$5,458,280 with \$2,729,140 of bond proceeds and a letter of credit from JP Morgan Chase (formerly Bank One, N.A.) in the amount of \$2,729,140. As of December 31, 2009 and 2008, the reserve account carrying amounts were \$5,458,280 and \$5,458,280, respectively.

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

Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series C: In 2000, the Authority issued the Multi-Purpose Infrastructure Improvement Bonds, Series B in the amount of \$16,700,000. The proceeds of the bonds were used to currently refund Multi-Purpose Infrastructure Improvement Bonds, Series A and for construction of infrastructure in the New Albany Economic Opportunity Zone. In 2004, the Authority current refunded Series B bonds with a Series C issuance of \$16,100,000. Interest rates range from 2 to 4%. The bonds have a final stated principal maturity of February 1, 2025, with mandatory principal redemptions on February 1 in the years 2004 through 2024. The Authority's sole source of repayment for these bonds is from income taxes on businesses in Phase I and Phase II of the Economic Opportunity Zone. The Authority receives 30% and 50%, respectively, from Phase I and Phase II of the gross income tax revenues collected by the Village of New Albany for the Economic Opportunity Zone. The Authority initially had credit and liquidity support for the bonds in an irrevocable standby letter of credit in the amount of \$16,219,979 with Key Bank. As of December 31, 2009 and 2008, the outstanding amounts of the irrevocable standby letter of credit were \$10,880,482 and \$13,902,838, respectively.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 10-DEBT (continued)

Long-term debt requirements for the Community Facilities Refunding Bonds as of December 31, 2009 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$1,775,000	\$2,299,699	\$4,074,699
2011	1,875,000	2,220,030	4,095,030
2012	2,030,000	2,128,836	4,158,836
2013	2,145,000	2,015,605	4,160,605
2014	2,260,000	1,896,049	4,156,049
2015-2019	13,490,000	7,448,148	20,938,148
2020-2024	20,920,000	3,388,902	24,308,902
Total	<u>\$44,495,000</u>	<u>\$21,397,269</u>	<u>\$65,892,269</u>

Long-term debt requirements for the Wellness Center Revenue Bonds as of December 31, 2009 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$115,000	\$57,600	\$172,600
2011	120,000	50,700	170,700
2012	130,000	43,500	173,500
2013	135,000	35,700	170,700
2014	145,000	27,600	172,600
2015-2016	315,000	28,500	343,500
Total	<u>\$960,000</u>	<u>\$243,600</u>	<u>\$1,203,600</u>

Long-term debt requirements for the Multi-Purpose Infrastructure Improvement Bonds as of December 31, 2009 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$600,000	\$516,000	\$1,116,000
2011	600,000	492,000	1,092,000
2012	600,000	468,000	1,068,000
2013	700,000	444,000	1,144,000
2014	700,000	416,000	1,116,000
2015-2019	3,900,000	1,648,000	5,548,000
2020-2024	1,700,000	828,000	2,528,000
Total	<u>\$8,800,000</u>	<u>\$4,812,000</u>	<u>\$13,612,000</u>



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by
*Government Auditing Standards***

Board of Trustees
New Albany Community Authority
8000 Walton Parkway, Suite 120
New Albany, Ohio 43054

We have audited the financial statements of the business-type activities of the New Albany Community Authority, Franklin County, Ohio (the Authority), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 9, 2010 which collectively comprises the Authority's basic financial statements. 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 opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatement. A material weakness is a significant deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and timely corrected.

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

Compliance and Other Matters

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

Board of Trustees
New Albany Community Authority
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by
Government Auditing Standards
Page 2

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

April 9, 2010



Mary Taylor, CPA
Auditor of State

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 24, 2010**