

**HAYDEN RUN  
COMMUNITY DEVELOPMENT AUTHORITY**  
Franklin County

Financial Statements and  
Independent Accountants' Reports

For the Fiscal Years Ended  
December 31, 2010 and 2009







# Dave Yost • Auditor of State

Board of Trustees  
Hayden Run Community Development Authority  
585 South Front Street, Suite 220  
Columbus, Ohio 43215

We have reviewed the *Independent Accountants' Report* of the Hayden Run Community Development Authority, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2009 through December 31, 2010. 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 Hayden Run Community Development Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 8, 2011

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**HAYDEN RUN COMMUNITY DEVELOPMENT AUTHORITY  
FRANKLIN COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees  
Hayden Run Community Development Authority

We have audited the accompanying basic financial statements of the Hayden Run Community Development Authority, Franklin County (the Authority), as of and for the years ended December 31, 2010 and December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Hayden Run Community Development Authority, as of December 31, 2010 and December 31, 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include a *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



Kennedy Cottrell Richards LLC  
August 31, 2011

**HAYDEN RUN COMMUNITY DEVELOPMENT AUTHORITY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2010 AND 2009**

The management's discussion and analysis of the Hayden Run Community Development Authority, Franklin County, Ohio, (the Authority), financial performance provides an overall review of the Authority's financial activities for the fiscal years ended December 31, 2010 and 2009. 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 initially of approximately 28 acres in Franklin County, including the City of Columbus.
2. Net assets totaled \$19,814 and \$39,603 at December 31, 2010 and December 31, 2009, respectively. Since inception, infrastructure improvements have been managed by the City of Columbus. The Authority has an agreement with the City of Columbus whereby the Authority provides the City with all its resources collected from the semi-annual community charge, except amounts needed to pay the Authority's operating expenses. The City of Columbus also issues any long-term debt needed to finance the infrastructure improvements. Accordingly, any long-term debt is financed partially with the proceeds received from the Authority.

**Overview of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority's financial activities and financial position. The *Statement of Net Assets* and *Statement of Revenues, Expenses, and Changes in Net Assets* provide information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Assets. The Statement of Net Assets represents the financial position of the Authority. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

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

These financials look at all financial transactions and asks the question, how did we do financially? The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues, and expenses* using the *accrual basis of accounting*, similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Authority's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Authority as a whole, the *financial position* of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.



**HAYDEN RUN COMMUNITY DEVELOPMENT AUTHORITY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2010 AND 2009**

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

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

**Financial Analysis**

Table 1 provides a summary of Authority's net assets for fiscal years 2010, 2009, and 2008.

TABLE 1

Net Assets

	2010	2009	2008
Huntington National Bank	\$ 11,050	\$ 111,741	\$ 54,956
A/R Community Development	293,381	241,901	167,784
<b>Total Assets</b>	<b>304,431</b>	<b>353,642</b>	<b>222,740</b>
Current liabilities	284,617	314,039	244,004
<b>Total Liabilities</b>	<b>284,617</b>	<b>314,039</b>	<b>244,004</b>
Net Assets:			
Unrestricted- (Deficit)	19,814	39,603	(21,264)
<b>Total Net Assets</b>	<b>\$ 19,814</b>	<b>\$ 39,603</b>	<b>\$ (21,264)</b>

**Net Assets:** Net assets represent the difference between assets and liabilities. The Authority had net assets of \$19,814 in 2010, \$39,603 in 2009, and a negative \$21,264 in 2008.

**HAYDEN RUN COMMUNITY DEVELOPMENT AUTHORITY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2010 AND 2009**

Table 2 reflects the changes in net assets for fiscal years 2010, 2009, and 2008.

TABLE 2  
Changes in Net Assets

	2010	2009	2008
Operating Revenues:			
Community Development Income	\$ 237,778	\$ 170,078	\$ 110,390
Total Operating Revenues	<u>237,778</u>	<u>170,078</u>	<u>110,390</u>
Operating Expenses:			
Financial Management Services	1,850	2,387	\$ 79,551
Legal Expense	8,137	8,119	-
Bank Fees	75	70	-
Total Operating Expenses	<u>10,062</u>	<u>10,576</u>	<u>79,551</u>
Operating Income	227,716	159,502	30,839
Non-Operating Revenues (Expenses):			
Dividend Income	431	291	220
Payments to City of Columbus	(247,936)	(98,926)	(52,323)
Total Non-Operating Revenue (Expense)	<u>(247,505)</u>	<u>(98,635)</u>	<u>(52,103)</u>
Change in net assets	<u>(19,789)</u>	<u>60,867</u>	<u>(21,264)</u>
Net assets, beginning	39,603	(21,264)	-
Net assets, ending	<u>\$ 19,814</u>	<u>\$ 39,603</u>	<u>\$ (21,264)</u>

**Change in Net Assets:** The Authority had increases in community development charges for all three years presented. The increase is due to continued development in the Authority which results in growing revenues from increased in Community Development Charges as real estate values increase.

Revenues from Community Development Charges paid by each owner of a chargeable parcel will be used to pay the cost to construct need infrastructure located within the Authority. The Community Development Charge is calculated on thirty-five percent of the assessed value of chargeable property, which includes buildings, structures, and improvements. The Community Development Charge is currently levied at 4 mills. The amount of revenue will increase in years when available parcels are sold and improvements are made, thus increasing the total assessed value of chargeable property.

**Cooperation Agreement with the City of Columbus**

The Authority has an agreement with the City of Columbus to transfer all of the Authorities funds, except amounts to pay for reasonable administrative costs, to the City of Columbus. These transfers are made to help fund the costs of road improvements, described as HR-2, which the City of Columbus is making within the Authority. During the fiscal years 2010, 2009 and 2008, the Authority transferred \$247,936, \$98,926, and \$52,323, respectively, to the City of Columbus as provided by this agreement.

**HAYDEN RUN COMMUNITY DEVELOPMENT AUTHORITY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2010 AND 2009**

**Budgeting**

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

**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, Accountant, Hayden Run Community Development Authority, 585 South Front Street, Suite 220, Columbus, Ohio 43215, 614 224-3078.

**HAYDEN RUN COMMUNITY DEVELOPMENT AUTHORITY  
FRANKLIN COUNTY**

**STATEMENTS OF NET ASSETS  
AS OF DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Current Assets		
Checking/Savings		
Huntington National Bank	\$ 11,050	\$ 111,741
Total Checking/Savings	11,050	111,741
Other Current Assets		
A/R Community Development	293,381	241,901
Total Other Current Assets	293,381	241,901
Total Current Assets	304,431	353,642
<b>TOTAL ASSETS</b>	<b>304,431</b>	<b>353,642</b>
<b>LIABILITIES</b>		
Liabilities		
Current Liabilities		
Accounts Payable	433	79,484
Unearned Revenue	284,184	234,555
Total Current Liabilities	284,617	314,039
<b>TOTAL LIABILITIES</b>	<b>284,617</b>	<b>314,039</b>
<b>NET ASSETS</b>		
Unrestricted Net Assets	19,814	39,603
<b>TOTAL NET ASSETS</b>	<b>\$ 19,814</b>	<b>\$ 39,603</b>

See Accompanying Notes to the Financial Statements

**HAYDEN RUN COMMUNITY DEVELOPMENT AUTHORITY  
FRANKLIN COUNTY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
AS OF DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Operating Revenues</b>		
Community Development Income	\$ 237,778	\$ 170,078
Total Operating Revenues	237,778	170,078
<b>Operating Expense</b>		
Financial Management Services	1,850	2,387
Legal Expense	8,137	8,119
Bank Fees	75	70
Total Operating Expense	10,062	10,576
<b>Operating Income</b>	227,716	159,502
<b>Non-Operating Revenue/(Expense)</b>		
Dividend Income	431	291
Payment to City of Columbus	(247,936)	(98,926)
Total Non-Operating Revenue/(Expense)	(247,505)	(98,635)
<b>Change in Net Assets</b>	(19,789)	60,867
Net Assets, Beginning of Period (Deficit)	39,603	(21,264)
Net Assets, End of Period (Deficit)	\$ 19,814	\$ 39,603

See Accompanying Notes to the Financial Statements

**HAYDEN RUN COMMUNITY DEVELOPMENT AUTHORITY  
FRANKLIN COUNTY**

**STATEMENTS OF CASH FLOWS  
AS OF DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from Community Development Charges	\$ 235,925	\$ 166,064
Cash payments for legal fees	(87,620)	(8,187)
Cash payments for financial management services	(1,416)	(2,388)
Cash payments for bank fees	(75)	(70)
Net Cash Provided by Operating Activities	146,814	155,419
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest, dividends and other revenues	431	292
Net Cash Provided by Investing Activities	431	292
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACT.</b>		
Payment to City of Columbus	(247,936)	(98,926)
Net Cash Used in Capital and Related Financing Activities	(247,936)	(98,926)
Net Increase (Decrease) in Cash	(100,691)	56,785
Cash and Equivalents, Beginning of Year	111,741	54,956
Cash and Equivalents, End of Year	\$ 11,050	\$ 111,741
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 227,716	\$ 159,502
Adjustments of Operating Income to Net Cash Provided by Operating Activities:		
(Increase)/Decrease in accounts receivable	(51,479)	(74,118)
Increase/(Decrease) in accounts payable	(79,051)	(67)
Increase/(Decrease) in unearned revenue	49,628	70,102
Net Cash Provided by Operating Activities	\$ 146,814	\$ 155,419

See Accompanying Notes to the Financial Statements

**HAYDEN RUN COMMUNITY DEVELOPMENT AUTHORITY  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2010 AND 2009**

**NOTE 1 – REPORTING ENTITY**

The Hayden Run Community Development Authority, Franklin County, Ohio (the Authority) is a “community authority” created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On July 27, 2007, M/I Homes of Central Ohio, LLC, Dominion Homes, Inc., The Falls at Hayden Run, Ltd., LLC, West Leppert Investments, LLC, Hayden Run Commercial Developers, LLC, and Hayden’s Reserve, L.P., (collectively, the Developers) petitioned the City of Columbus, a municipal corporation duly organized and validly existing under and by virtue of the constitution and the laws of the State of Ohio (the “City”), for creation of a new community authority. On September 10, 2007, the City of Columbus passed Ordinance 1374-2007 establishing said Authority.

The amended and restated declaration of covenants, restrictions and agreements for the Authority (the “Declaration”), filed with the offices of the Franklin County Recorder and the Franklin County Auditor on September 7, 2007, established and attached, among other things, the Community Development charge (the “Charge”) on the property within the Hayden Run Community Development District to be used to cover all or part of the cost of the acquisition, development, construction, operation and maintenance of land, land development and Community Facilities (as defined in Chapter 349), the debt service thereof and any other cost incurred by the Authority under chapter 349.

The Authority is required to be governed by a seven member board of trustees. At inception, the City appointed four of the trustees and the remaining three trustees were appointed by the Developer.

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.

**A. Basis of Presentation**

The Authority’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The Authority’s basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. The Authority uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**B. Measurement Focus and Basis of Accounting**

The Authority’s financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the Statement of Net Assets.

**HAYDEN RUN COMMUNITY DEVELOPMENT AUTHORITY  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2010 AND 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 comprised of Unrestricted components. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net assets.

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

Pursuant to GASB 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Accounting*, the Authority follows GASB guidance as applicable to its activities, and Financial Accounting Standards Boards (FASB) guidance issued on or before November 30, 1989 that does not conflict with or contradict GASB Pronouncements. The Authority has elected not to follow FASB guidance issued after November 30, 1989.

**C. Cash and Investments**

Cash received by the Authority is deposited with a financial institution. Deposits having an original maturity of three months or less at the time they are purchased are presented in the financial statements as Cash and Cash Equivalents.

**D. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. The Authority had no restricted net assets at fiscal years end 2010 and 2009.

**E. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are community development charges. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the Authority. All revenues and expenses not meeting this definition are reported as non-operating.

**G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**H. Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to December 31, 2010 to determine the need for any adjustments to and/or disclosures within the financial statements. Management has performed this analysis through the financial statements report date.



**HAYDEN RUN COMMUNITY DEVELOPMENT AUTHORITY  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2010 AND 2009**

**NOTE 3 – COMMUNITY DEVELOPMENT CHARGE**

The Authority can levy an annual community development charge up to 4 mills on the assessed value of all subject property within the Authority. The charge is currently levied at 4 mills. Charge revenue recognized represents the amount levied and payable on August 31 of each year.

Charge assessments are levied in August on the assessed values certified by the Franklin County the second Monday in September. The assessed value is established by state law at 35% of the current market value. Property is levied the tax 1 year after the Authority receives a Certificate of Occupancy from the City of Columbus. Market values are determined by the Authority based on the current County Auditor's appraisal values or building permit values on occupied homes that have not yet been appraised by the County Auditor.

The assessed value of real property upon which the August 2010 and 2009 community development charges were based was \$117,774,532 and \$167,741,886, respectively.

**NOTE 4 – RECEIVABLES**

Receivables at December 31, 2010 and 2009 consisted of unpaid community development charges. All receivables are considered collectible.

**NOTE 5 - COOPERATION AGREEMENT WITH THE CITY OF COLUMBUS**

The Authority has an agreement with the City of Columbus effective June 24, 2009 to transfer all of the Authority Funds to the City of Columbus except for amounts to pay for reasonable administrative costs and to maintain a yearly cash balance of \$2,500. These transfers are made to help fund the costs of road improvements, described as HR-2, which the City of Columbus is making within the Authority. During the fiscal years 2010 and 2009, the Authority transferred \$247,936 and \$98,926, respectively to the City of Columbus as provided by this agreement.

**NOTE 6 – CONTINGENT LIABILITIES**

There are no claims or lawsuits pending against the Authority.

**NOTE 7 – RISK MANAGEMENT**

For the years ended December 31, 2010 and 2009, the Authority had not obtained risk coverage to cover various malfeasance, errors and/or omissions.

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

Board of Trustees  
Hayden Run Community Development Authority

We have audited the financial statements of Hayden Run Community Development Authority, Franklin County (the Authority), as of and for the years ended December 31, 2010 and December 31, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be material weakness.

**Compliance and Other Matters**

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

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



Kennedy Cottrell Richards LLC  
August 31, 2011

**HAYDEN RUN COMMUNITY DEVELOPMENT AUTHORITY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**2010-01 Financial Reporting**

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The presentation of materially correct financial statements and the related footnotes is the responsibility of management of the Authority. Independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements. Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

The Authority's primary operating revenues consist of community development charges assessed on businesses and residents within the Authority's boundaries. Generally accepted accounting principles define these charges as imposed non-exchange revenues. Imposed non-exchange revenues, similar to property taxes, are required to be reported in the period for which they are intended to finance.

During our audit, we identified misstatements in the Authority's financial statements related to the recognition of community development charge revenue in conformity with accounting principles generally accepted in the United States of America. Although the Authority's accounting treatment of community development charges was consistent with certain other financing authorities, we proposed an adjusting entry to the Authority and the misstatements were subsequently corrected.

We recommend the Authority account for community development charges in accordance with accounting principles generally accepted in the United States to avoid financial statement misstatements in future periods.

Official's Response:

While we agree that it is important to at all time account for community development charges in accordance with accounting principles generally accepted in the United States, (GAAP) we believe that, based on other similar reporting instances, we were following GAAP. Our interpretation of the reporting requirements in this area was that the community development charges were treated similar to an exchange transaction. This treatment has been used on other Community Authority's financial statements and has been accepted by both the Auditor of State and IPA firms.

While we believe that current GAAP guidance would indicate that our treatment for accruing community development charges may be incorrect, and therefore would require to be adjusted, our interpretation was obviously accepted by other accounting and audit professional in similar situations. Accordingly, we will make this change on future financial statements for the Hayden Run Community Development Authority.

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# Dave Yost • Auditor of State

HAYDEN RUN COMMUNITY DEVELOPMENT 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  
NOVEMBER 22, 2011