LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2002

Auditor of State
Betty Montgomery

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Liberty Community Infrastructure Financing Authority
Delaware County
470 Old Worthington Road, Suite 100
Westerville, Ohio 43082

To the Board of Trustees:

We have audited the accompanying financial statements of the Liberty Community Infrastructure Financing Authority, Delaware County, Ohio, (the Authority), as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements referred to above present fairly, in all material respects, the financial position of the Liberty Community Infrastructure Financing Authority, Delaware County, Ohio, as of December 31, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2004, 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 grants. 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.

Betty Montgomery

Betty Montgomery
Auditor of State

June 28, 2004

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

BALANCE SHEET
DECEMBER 31, 2002

Assets		
Cash and Cash Equivalents	$	982,202
Accounts Receivable		477,900
Community Development Charge Receivable		131,187
Total Assets		1,591,289
Liabilities		
Intergovernmental Payable-City of Powell		17,024,078
Accrued Interest Payable		40,505
Community Facilities Bonds Payable		6,545,000
ECA Notes Payable		36,971
Accounts Payable		37,351
Total Liabilities		23,683,905
Equity		
Accumulated Deficit		(22,092,616)
Total Liabilities and Equity	$	1,591,289

See Accompanying Notes to the Financial Statements

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN ACCUMULATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2002

Operating Revenues	
Community Development Charges	$ 214,552
Total Operating Revenues	214,552
Operating Expenses	
Legal Fees	20,000
Auditing Fees	3,250
Cash Management Fee	25,440
Remarketing Expense	37,651
Insurance Fees	1,610
Line of Credit Fees	355,556
Board Meeting Expense	200
Depreciation	69,575
Total Operating Expenses	513,282
Operating Loss	(298,730)
Non-Operating Revenues (Expenses)	
Tap Fees	515,407
Interest Revenue	66,120
Amortization Expense	(725,203)
Interest Expense	(533,876)
Total Non-Operating Revenues (Expenses)	(677,552)
Loss before Contributions	(976,282)
Capital Contributions to Delaware County	(13,919,314)
Capital Contributions to Olentangy Schools	(500,000)
Capital Contributions to Powell	(149,559)
Capital Contributions to DelCo	(559,956)
Total Capital Contributions	(15,128,829)
Net Loss	(16,105,111)
Accumulated Deficit at Beginning of Year	(5,987,505)
Accumulated Deficit At End of Year	$ (22,092,616)

See Accompanying Notes to the Financial Statements

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

Increases (Decreases) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Community Development Charges	$	128,654
Cash Payments for Legal Fees		($20,000)
Cash Payments for Auditing Fees		($3,250)
Cash Payments for Cash Management Fees		(25,440)
Cash Payments for Remarketing Fees		(37,651)
Cash Payments for Insurance		(1,610)
Cash Payments for Board Meetings		(200)
Cash Payments to Line of Credit		(355,556)
Net Cash Used for Operating Activities		(315,053)
Cash Flows from Noncapital and Related Financing Activities		
Cash Received from Tap Fees		76,110
Cash Payments to the City of Powell		(268,043)
Net Cash Used for Noncapital and Related Financing Activities		(191,933)
Cash Flows from Capital and Related Financing Activities		
Acquisition of Fixed Assets		(2,656,591)
Cash Received from Preannexation Agreement		16,356,971
Tap Fees		2,070,648
Cash Paid to Olentangy Schools		(500,000)
Principal Paid on Bonds		(22,300,000)
Interest Paid on Bonds		(307,862)
Principal Paid on ECA Notes		(7,094,798)
Interest Paid on ECA Notes		(216,082)
Proceeds of Bonds		6,545,000
Proceeds of ECA Note		169,665
Net Cash Used for Capital and Related Financing Activities		(7,933,049)
Cash Flows from Investing Activities		
Interest		66,120
Net Cash Provided by Investing Activities		66,120
Net Decrease in Cash and Cash Equivalents		(8,373,915)
Cash and Cash Equivalents Beginning of Year		9,356,117
Cash and Cash Equivalents End of Year	$	982,202
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	$	(298,730)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities		
Depreciation		69,575
Changes in Assets and Liabilities:		
Increase in Community Development Charge Receivable		(85,898)
Net Cash Used for Operating Activities	$	(315,053)

Non-Cash Capital Transactions

In 2002, the Authority donated infrastructure improvements to Delaware County the City of Powell, and DelCo, in the amounts of $13,919,314 $149,559 and $559,956, respectively.

See Accompanying Notes to the Financial Statements

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NOTE 1 - REPORTING ENTITY

The Liberty Community Infrastructure Financing Authority, Delaware County, Ohio (the Authority) is a "community authority" created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On August 1, 2000, Triangle Real Estate (the Developer) filed a petition (the Petition) for creation of the Authority with the Board of County Commissioners of Delaware County, Ohio. The Petition, which may be subject to amendment or change, allows the Authority to finance the costs of publicly owned and operated community facilities with assessed Community Development Charges. In accordance with the Act, the Petition was accepted by the County Commissioners' Resolution No. 00-748, approved September 11, 2000. By its Resolution, the County Commissioners determined that the new community district would be conducive to the public health, safety, convenience and welfare, and that it was intended to result in the development of a new community as described in the Act. The Authority thereby organized as a body corporate and politic in the State. On November 18, 2002 the County Commissioners, by their resolution amended the Petition to add certain territory to the area comprising the Authority.

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

As of fiscal year end the Authority is comprised of approximately 1,018 acres of land located in Southern Delaware County, Ohio.

In accordance with the Act and the Petition, the Authority can levy a community development charge up to 10.25 mills on the assessed value of the land and improvements within the District. The need and amount of the charge is determined annually by the Board of Trustees of the Authority.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

A. Measurement Focus and Basis of Accounting

The Authority's financial activity is accounted for using a proprietary fund. Proprietary funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in retained earnings/accumulated deficit.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The full accrual basis of accounting is followed for the proprietary fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus and Basis of Accounting (Continued)

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Using the accrual basis of accounting, revenue from development charges and tap fees are recognized in the year they are sold.

On the accrual basis, expenses are recognized at the time they are incurred.

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

B. Cash and Investments

To improve cash management, cash received by the Authority is pooled and invested.

During 2002, investments were limited to STAR Ohio and mutual funds. Mutual funds are reported at fair value. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's reported share price.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with a maturity of three months or less at the time they are purchased by the Authority are considered to be cash equivalents.

During the fiscal year the Authority had proceeds of Community Facilities Bonds that were restricted to use and release by Huntington Capital Corporation (the Trustee) according to a Trust Agreement with Huntington National Bank. The balances in these accounts were presented on the 2001 balance sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents". All balances of these funds have been extinguished at fiscal year end 2002.

C. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent certain resources, which are segregated from other resources of the Authority to comply with various covenants established by the Trust Agreement with Huntington National Bank and the community Facilities Bonds, Series 2001 issuance. All such assets have been extinguished at fiscal year end 2002.

D. Unamortized Issuance Costs

Issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fixed Assets

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

Interest is capitalized on proprietary fund assets acquired 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 over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2002, no material interest was incurred on construction projects.

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

Description	Estimated Lives
Land	N/A
Infrastructure	20 years

F. Accrued Liabilities and Long-Term Obligations

Long-term debt and other obligations financed by the proprietary fund are reported as liabilities.

G. 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 fund. All revenues and expenses not meeting this definition are reported as non-operating.

H. 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

At December 31, 2002, the Authority has an accumulated deficit of $22,092,616. 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

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

6. The State Treasurer's investment pool (STAR Ohio).

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.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During the fiscal year, the Authority's deposits were protected only up to amounts provided by the Federal Deposit Insurance Corporation (FDIC). At year-end, the carrying amount of the Authority's deposits was $24,393, and the bank balance was $24,393. Of the bank balance, $24,393 was covered by federal depository insurance.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and fair value of investments, classified by risk. The Authority's investments are categorized as either (1) insured or registered or for which the securities are held by the Authority or its agent in the Authority's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Authority's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name. Investments in money market mutual funds and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Fair and Carrying Value
Mutual Funds	$957,809
Total Investments	$957,809

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

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

	Cash and Cash Equivalents / Deposits	Investment
GASB Statement No. 9	$982,202	$0
Investments:		
Mutual Funds	(957,809)	957,809
GASB Statement No. 3	$24,393	$957,809

During the fiscal year the Authority also invested with STAR Ohio.

NOTE 5 – COMMUNITY DEVELOPMENT CHARGE

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

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.

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

The assessed value of real property upon which 2002 charge receipts were based is $21,291,877.

NOTE 6 - TAP FEE CREDIT

On March 12, 2001 Delaware County granted the Authority the right to sell 763 single-family residential connection tap credits in order to enlarge the sanitary sewer trunk line for future development. The Authority may sell the taps to any builder within Delaware County. A 10% discount was offered on taps that were paid in full at the time of the tap permit filing. Tap credits that received half payment at the time of the permit filing and half payment at the time of the permit release received no discount. Tap fee credits are not considered an asset of the Authority. Revenue is recognized when a credit is sold.

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

The number of taps released by the Delaware County sanitary engineer in 2002 was 259.5, leaving 77.5 taps remaining at fiscal year end. The number of taps paid was 377.5 with a receivable due for 81 taps.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2002, consisted of community development charges and accounts receivable relating to tap fees. All receivables are considered collectible in full within one year.

NOTE 8 - FIXED ASSETS

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

	Balance December 31, 2001	Additions	Reductions	Balance December 31, 2002
Depreciable Fixed Assets				
Infrastructure	$12,321,579	$2,376,825	($14,698,404)	$ -
Less Accumulated Depreciation for				
Infrastructure	-	(69,575)	69,575	-
Total Fixed Assets, Net	$ 12,321,579	$ 2,307,250	$ (14,628,829)	$ -

NOTE 8 - FIXED ASSETS (Continued_

At December 31, 2002 all remaining constructed assets of the Authority were donated to Delaware County, the City of Powell, and DelCo with the related costs recorded as a capital contribution expense to these entities in the amounts of $13,919,314, $149,559, and $559,956 respectively. Therefore, the Authority retains title to no fixed assets at December 31, 2002.

NOTE 9 - RISK MANAGEMENT

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

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

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

NOTE 10 - CONTRACTUAL COMMITMENTS

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

Contractor	Purpose	Contract Amount	Outstanding Balance
Kokosing Construction	Offsite Sanitary Sewer	$6,513,303	$11,672
Kokosing Construction	Onsite Sanitary Sewer	1,165,895	15,100
Kokosing Construction	Sawmill Parkway	11,012,370	6,925
Weiser Inc	Woodcutter Drive	479,184	479,184
Epcon Group	Retension pond Sawmill Pky	55,523	55,523

NOTE 11 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, and original issue amount for the Authority’s long-term obligations are as follows:

	Original Issue Date	Interest Rate	Original Issue Amount
Community Facilities Bonds, Series 2002	2002	Variable	$6,545,000
Excess Cost Advancement Notes	2001	Variable	$7,131,769

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

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

Business-Type Activities	Balance January 1, 2001	Additions	Reductions	Balance December 31, 2002	Due Within One Year
Excess Cost Advancement Notes	$6,962,104	$169,665	$7,094,798	$36,971	$0
Community Facilities Bonds, Series 2001	22,300,000	0	22,300,000	0	0
Community Facilities Bonds, Series 2002	0	6,545,000	0	6,545,000	0
Total Long Term Obligations	$29,262,104	$6,714,665	$29,394,798	$6,581,971	$0

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

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

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

During 2002, the Authority received $16,356,971 of funds from the City of Powell.

Excess Cost Advancement Notes

The Excess Cost Advancement (ECA) Notes are proceeds drawn down similar to a letter of credit from the Registered Owner, Triangle Real Estate, to provide funds for the purpose of covering excess costs in association with the designated project of the Community Facilities Bonds, Series 2001. A drawing certificate was required to be delivered to Triangle Real Estate when draws for payment were requested.

The ECA Notes bore interest at the rate of 275 basis points over the interest rate on the Community Facilities, Series 2001 Bonds as determined by the 2001 Series Bonds Remarketing Agent while the Series 2001 Bonds were outstanding. Upon retirement of the 2001 Series Bonds, the ECA Notes bear interest at the rate of 275 basis points over the BMA index on the Thursday that the interest rate is being adjusted.

Payment of principal, premium, or interest on the Notes was not made unless full payment of amounts then due and payable for principal, premium, or interest on the Community Facilities Bonds, Series 2001 had been made or duly provided in accordance with the terms of the Huntington National Bank trust agreement. Payment of the ECA Notes is first to be made on any interest which has accrued on the outstanding principal of the Notes and secondly to the unpaid principal of the Notes.

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

Excess Cost Advancement Notes (Continued)

During 2001 draw requests were made to Triangle Real Estate totaling $3,111,750. Draw requests for 2002 were made to Triangle Real Estate totaling $2,859,488. Interest was computed by Triangle Real Estate based on this value of draw requests that had been submitted and approved to date. However, Triangle Real Estate funded an additional amount of $3,850,354 in 2001 to the Authority's bank that had not been requested to be drawn for future ECA Note draws in order to make timely disbursements to vendors. During 2002, Triangle Real Estate also directly paid $169,665 of Authority expenditures related to the ECA Notes direct to the Authority vendors but provided no additional funds to the Authority.

During 2002 the Authority paid off $5,911,545 in ECA Note principal with Proceeds of the Series 2002 Community Facilities Bonds. In addition, the Authority made payment to Triangle Real Estate for $1,183,253 of funds received as Proceeds of ECA Notes in 2001 that were not required for use by the Authority and were therefore paid on the principal liability of the ECA Notes with Triangle Real Estate.

Due to no set amortization schedule or maturity on the Notes, in addition to continuing draws of funds that add to the Notes principal, no amortization schedule has been prepared or presented for these Notes.

The Authority's future annual debt service requirements for the Series 2002 Community Facilities Bonds, including mandatory sinking fund requirements, are as follows:

	Adjustable Rate Bonds	
Year	Principal	Interest
2003	$0	$299,241
2004	0	279,472
2005	0	279,472
2006	0	279,472
2007	0	279,472
2008-2012	0	1,397,358
2013-2017	0	1,397,358
2018-2022	0	1,397,358
2023-2027	0	1,397,358
2028-2032	0	1,397,358
2033	6,545,000	279,472
	$6,545,000	$8,683,386

NOTE 12 - CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

NOTE 13 – 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 (the Developer). Three of the seven Authority Board members are comprised of individuals appointed by the Developer based on the County Commissioners' Resolution and Chapter 349 of the Ohio Revised Code. The Authority also has a Fiscal and Accounting Services Agreement with the Developer which designates the Developer as the fiscal agent for all of the Authority's accounting services.

NOTE 13 – RELATED PARTY (Continued)

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

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.

An irrevocable letter of credit was issued by Huntington National Bank in the amount of $22,605,480 to secure the Community Facilities Bonds, Series 2001. This irrevocable letter of credit was personally guaranteed by the Developer, president, and Authority Chairman Don Kenney through a guaranty agreement with Huntington National Bank. Additionally, a compensating bank balance owned by Triangle Real Estate was held by Huntington as additional collateralization of the bonds while they were active.

The Excess Cost Advancement Notes also provide proceeds that are drawn down similar to a letter of credit from the Developer, to provide funds for the purpose of covering excess costs in association with Community Facilities Bonds, Series 2001. A drawing certificate for draw downs of these Notes is required to be delivered to the Developer who approves draws when requested.

The $6,545,000 in Community Facilities Adjustable Rate Bonds, series 2002 that were issued to refund outstanding Community Facilities Bonds, Series 2001 and Excess Cost Advancement Notes were also completely sold to Triangle Real Estate the registered owner of all bonds.

NOTE 14 – CITY OF POWELL ANNEXATION

On November 6, 2002, the City of Powell annexed the territory of the Authority into the City and purchased the remaining fixed assets of the Authority. A Pre-Annexation Agreement between the Authority and the City of Powell defined the terms of the annexation. In addition to the annexation of the land territory, which benefited the City by expanding its income tax base, the City received the Authority's remaining fixed assets, consisting of a $149,559 bike path, in addition to all but $200,000 of the remaining tap fee credits and associated accounts receivable, totaling $1,203,193.

The purchase price of the annexation was for $16,356,971 that was paid to the Authority from bond proceeds on debt issued by the City of Powell. These proceeds were used by the Authority to defease a portion of the $22,300,000 in Community Facilities Bonds, Series 2001.

NOTE 14 – CITY OF POWELL ANNEXATION (Continued)

Under the Pre-Annexation Agreement the Authority is required to repay the City for the $16,356,971 of proceeds received from annexation, payable from the Authority's Community Development Charges levied. Additionally under the agreement, the Authority retains the tap fee credits and associated accounts receivable, with the City having full rights to the assets, in order to convert the assets to cash, which is then paid to the City. Payments to the City of Powell in 2002 totaled $268,043. Based on the Authority's the obligations to repay the City for the proceeds received from annexation and cash generated from the tap fee credits and associated receivable, the Authority therefore recognizes an obligation to the City at December 31, 2002 of $17,024,078.

NOTE 15 – SUBSEQUENT EVENTS

On February 23, 2004 the County Commissioners, by their resolution amended the Petition to add certain territory to the area comprising the Authority after submission of a revised Petition from the Board of Trustees of the Authority. The revision of territory in 2004 expanded the acreage of the Authority to 1,579 acres in total, with territory that includes additional acreage outside the city limits of the City of Powell based on their 2002 annexation.

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Liberty Community Infrastructure Financing Authority
Delaware County
470 Old Worthington Road, Suite 100
Westerville, Ohio 43082

To the Board of Trustees:

We have audited the financial statements of the Liberty Community Infrastructure Financing Authority, Delaware County, Ohio, (the Authority) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 28, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted certain immaterial instances of noncompliance that we have reported to management of the Authority in a separate letter dated June 28, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 through 2002-003.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated June 28, 2004.

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

Betty Montgomery

Betty Montgomery
Auditor of State

June 28, 2004

SCHEDULE OF FINDINGS
DECEMBER 31, 2002

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

Finding Number	**2002-001**

Authority Ledgers

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

The Authority's ledgers provided little to no detail on the nature of the transactions posted to the general ledger. Transactions were often posted in large batches where only the aggregate amounts were posted to the ledgers and no individual transaction details were noted in the ledger. This practice limits the ability of a reader / reviewer to identify specific transactions or accrual entries and evaluate their appropriateness. Transactions were back dated as to their posting date, which provides limited assurance as to the nature and timing of the underlying transactions as recorded in the ledger. The line items of the general ledger's account structure were inconsistent with the Authority's financial statement presentation and could not be readily reconciled to the financial statement presentation.

The Authority's failure to prepare and maintain ledgers that agree to the presented financial statements, provide sufficient detail, and have transactions/accruals posted at their occurrence date could lead to inaccurate financial reporting, possible improper cut-off of transactions, and allow errors or irregularities to occur and go undetected by management.

We recommend the Authority establish accounts in the general ledger that agree (or can be readily reconciled) to the Authority's financial statements. We further recommend that transactions/accrual entries be posted individually with sufficient detail such as check numbers, invoices, vendors, descriptions, and receipt sources. For accrual entries, the ledger should include references to accrual calculation work papers/schedules that should be maintained in the Authority's files. Transactions should also be posted to the ledgers on the date that they occur or are made known.

Finding Number	**2002-002**

Bank Reconciliations

During the audit period, the Authority maintained several depository accounts; however, only one of the accounts was being reconciled on a monthly basis. In addition, the reconciled account's balance was reconciled against a general ledger account of the Authority's Developer. The Developer's general ledger account balance was not represented in the Authority's general ledger.

Failure to reconcile all depository accounts and agree balances to the general ledger could lead to incomplete financial reporting and allow errors and irregularities to occur and go undetected by management.

We recommend the Authority reconcile all depository accounts each month and ensure balances are included and reconcile to the Authority's general ledger to help ensure proper accountability over all assets.

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

Finding Number	2002-003

Monitoring Activity

Appropriate financial reports were not requested by or provided to the Board of Trustees to allow an effective means of monitoring financial operations. Lack of effective monitoring could allow for operational failures and errors to occur without timely detection.

The Board of Trustees should monitor the financial operations of the Authority regularly. Such monitoring should include review of bank to book reconciliations, budget versus actual data, detailed revenue reports, detailed expenditure reports, cash journals, and GAAP balance sheets and income statements.

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

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

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

To facilitate these reviews, the Board should request that the appropriate financial reports be presented each month. The Board should consider the information in the reports and document its review and follow up.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2001-001	Authority Ledgers	No	Not Corrected – 2002 Report issued same time as 2001 Report
2001-002	Bank to Book Reconciliations	No	Not Corrected – 2002 Report issued same time as 2001 Report
2001-003	Monitoring Activity	No	Not Corrected – 2002 Report issued same time as 2001 Report

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 14, 2004