

Hickory Chase Community Authority
Franklin County, Ohio

Regular Audit

For the Years Ended December 31, 2009 and December 31, 2008
Fiscal Years Audited Under GAGAS: 2009 and 2008



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: (740) 289-4131 Fax: (740) 289-3639
9076 Ohio River Road, Wheelersburg, Ohio, 45694 Phone: 740.876.9121 Fax: 800.210.5273



Dave Yost • Auditor of State

Board of Trustees
Hickory Chase Community Authority
3800 Municipal Way
Hilliard, Ohio 43026

We have reviewed the *Independent Auditor's Report* of the Hickory Chase 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 Hickory Chase Community 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

June 10, 2011

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Hickory Chase Community Authority
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For the Years Ended December 31, 2009 and 2008

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Independent Auditor's Report

Board of Trustees
Hickory Chase Community Authority
3800 Municipal Way
Hilliard, Ohio 43026

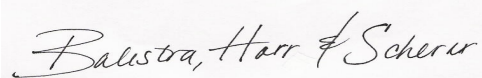
We have audited the accompanying financial statements of the Hickory Chase Community Authority, Franklin County, Ohio (the Authority), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These 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 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 Hickory Chase Community Authority, Franklin County, Ohio, as of December 31, 2009 and 2008, and the respective changes in net assets and cash flows, thereof 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 May 5, 2011, 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 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 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.



Balestra, Harr & Scherer, CPAs, Inc.
May 5, 2011

**HICKORY CHASE COMMUNITY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

The Management’s Discussion and Analysis of the Hickory Chase Community Authority’s (the “Authority”) financial performance provide an overall review of the Authority's financial activities for the years ended December 31, 2009 and 2008. The intent 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 notes to the financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority incurred long term debt of \$25,760,000 in infrastructure improvement revenue bonds on April 29, 2008, bearing interest at 6.75% and 7.0% per annum with a final maturity of December 1, 2038. The Authority’s debt is payable from the Pledged Receipts consisting of (i) service payments in lieu of taxes, (ii) community development charges, and (iii) impact fees collected from building permits.
2. Net assets at December 31, 2009 and 2008 totaled \$64,566 and \$165,747, respectively.
3. Construction in Progress at December 31, 2009 and 2008 was \$15,371,601 and \$9,071,339, respectively, which represents approximately 92% and 54% of the infrastructure improvements budget, respectively.

Overview of the Financial Statements

This annual report consists of two parts – Management’s Discussion and Analysis and the basic financial statements consisting of a *Statement of Net Assets*; *Statement of Revenues, Expenses, and Changes in Net Assets*; *Statement of Cash Flows*; and related footnotes. The Statement of Net Assets represents the financial position of the Authority and provides 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 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.

**HICKORY CHASE COMMUNITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

Summary Statement of Net Assets

	<u>2009</u>	<u>2008</u>
Assets:		
Other assets	\$ 8,952,726	\$ 16,484,401
Capital assets	<u>17,630,807</u>	<u>9,833,722</u>
Total Assets	<u>26,583,533</u>	<u>26,318,123</u>
Liabilities:		
Current liabilities	758,967	392,376
Long-term debt	<u>25,760,000</u>	<u>25,760,000</u>
Total Liabilities	<u>26,518,967</u>	<u>26,152,376</u>
Net Assets		
Invested in capital assets, net of discount	(8,129,193)	(15,926,278)
Restricted	8,127,548	15,385,719
Unrestricted	<u>66,211</u>	<u>706,306</u>
Total Net Assets	<u>\$ 64,566</u>	<u>\$ 165,747</u>

Bond proceeds and pledged revenues were used to finance the Authority's infrastructure improvements and other administrative costs of the Authority.

Summary Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2009</u>	<u>2008</u>
Operating Revenues	\$ -	\$ 216,000
Operating Expenses	<u>72,931</u>	<u>31,419</u>
Operating Income (Loss)	(72,931)	184,581
Non-operating Expenses	<u>(28,250)</u>	<u>(18,834)</u>
Change in Net Assets	<u>\$ (101,181)</u>	<u>\$ 165,747</u>

In 2009, no revenues were collected to offset operating and other Authority expenses. In 2008, Impact Fees of \$216,000 were offset by operating expenses paid on behalf of the Authority and amortization of Deferred Bond Issue Costs.

Capital Assets

The Authority's capital assets consisted of construction in progress of infrastructure improvements financed with the Series 2008 bonds, net of bond interest expense and investment income. Construction in Progress at December 31, 2009 and 2008 was \$15,371,601 and \$9,071,339, respectively, which represents approximately 92% and 54%, respectively, of the estimated project costs of \$16,778,575.

**HICKORY CHASE COMMUNITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

Long-Term Debt

The Authority issued Infrastructure Improvement Revenue Bonds, Series 2008, totaling \$25,760,000 dated April 29, 2008 bearing interest at 6.75% and 7.00% per annum with a final maturity of December 1, 2038. This bond issuance represents 100% of the Authority's long-term debt balance. The 2008 bonds are subject to optional, mandatory sinking fund, and extraordinary mandatory redemption requirements.

The bond proceeds are being used to fund infrastructure improvements including improvements to roads within the Authority, improvements to storm and sanitary sewers, pedestrian facilities, traffic control, landscaping and irrigation. The debt service will be paid annually beginning December 1, 2008 by the Capitalized Interest Fund through June 1, 2011 and by the Pledged Revenues thereafter.

Economic Factors and Future Outlook

Currently, there are two legal actions pending concerning the Authority: the construction lender has begun foreclosure proceedings on the property due to non-payment of the construction loan, and the developer, Erickson Retirement Communities, has filed for Chapter 11 bankruptcy protection. It is unknown what effect, if any, these legal actions will have on the future ability of the Authority to meet its financial obligations. However, we anticipate, at the least, additional administrative and legal costs associated with these filings. Further discussion of the pending legal actions is included in Note 7 of the Notes to the Financial Statements.

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 the Authority's Administrator, MuniCap, Inc., 8965 Guilford Road, Suite 210, Columbia, Maryland 21046.

HICKORY CHASE COMMUNITY AUTHORITY
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2009

ASSETS	
Current Assets	
Cash, cash equivalents and investments	\$ 8,127,548
Interest receivable	8,263
Total Current Assets	<u>8,135,811</u>
Noncurrent Assets	
Capital assets	17,630,807
Deferred bond issue costs	816,915
Total Noncurrent Assets	<u>18,447,722</u>
TOTAL ASSETS	<u><u>26,583,533</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts payable	6,444
Accrued liabilities	603,957
Accrued bond interest	148,566
Total Current Liabilities	<u>758,967</u>
Long Term Liabilities	
Bonds payable	25,760,000
Total Liabilities	<u>26,518,967</u>
NET ASSETS	
Invested in capital assets, net of related debt	(8,129,193)
Restricted	8,127,548
Unrestricted	66,211
Total Net Assets	<u>64,566</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 26,583,533</u></u>

See accompanying notes to the financial statements.

HICKORY CHASE COMMUNITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

Operating Expenses	
Administrative fees	23,640
Legal fees	39,517
Insurance expense	9,774
Total Operating Expenses	72,931
Operating Income (Loss)	(72,931)
Non-Operating Revenues (Expenses)	
Amortization expense	(28,250)
Total Non-Operating Expenses	(28,250)
Change in Net Assets	(101,181)
Net Assets, Beginning of Year	165,747
Net Assets, End of Year	\$ 64,566

See accompanying notes to the financial statements.

**HICKORY CHASE COMMUNITY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Cash Flows from Operating Activities	
Cash received from governments	\$ 216,000
Cash payments for administrative fees	(23,435)
Cash payments for legal fees	(33,548)
Cash payments for insurance	(9,774)
Net Cash Provided by Operating Activities	149,243
Cash Flows from Investing Activities	
Interest received on investments	315,218
Net Cash Provided by Investing Activities	315,218
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(5,939,844)
Interest paid on bonds	(1,782,788)
Net Cash Used in Capital and Related Financing Activities	(7,722,632)
Net Increase in Cash and Cash Equivalents	(7,258,171)
Cash and Cash Equivalents, Beginning of Year	15,385,719
Cash and Cash Equivalents, End of Year	\$ 8,127,548
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:	
Operating Income (Loss)	\$ (72,931)
Adjustments:	
Decrease in due from other governments	216,000
Increase in accounts payable	6,174
Net Cash Provided by Operating Activities	\$ 149,243

See accompanying notes to the financial statements.

HICKORY CHASE COMMUNITY AUTHORITY
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2008

ASSETS

Current Assets

Cash, Cash Equivalents and Investments	\$ 15,385,719
Interest Receivable	37,517
Due from City	216,000

Total Current Assets	15,639,236
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Noncurrent Assets

Capital Assets	9,833,722
Deferred Bond Issue Costs	845,165

Total Noncurrent Assets	10,678,887
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TOTAL ASSETS	26,318,123
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LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable	270
Accrued Liabilities	243,540
Accrued Bond Interest	148,566

Total Current Liabilities	392,376
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Long Term Liabilities

Bonds Payable	25,760,000
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Total Liabilities	26,152,376
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NET ASSETS

Invested in capital assets, net of related debt	(15,926,278)
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Restricted	15,385,719
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Unrestricted	706,306
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Net Assets	165,747
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TOTAL LIABILITIES & NET ASSETS	\$ 26,318,123
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See accompanying notes to the financial statements.

**HICKORY CHASE COMMUNITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Operating Revenues	
Impact Fees	\$ 216,000
Operating Expense	
Administrative Fees	4,704
Legal Fees	23,702
Insurance Expense	3,013
Total Operating Expense	<u>31,419</u>
Operating Income	184,581
Non-Operating Revenues (Expenses)	
Amortization Expense	<u>(18,834)</u>
Total Non-Operating Expense	<u>(18,834)</u>
Net Other Income	<u>165,747</u>
Change in Net Assets	165,747
Net Assets, Beginning of Year	-
Net Assets, End of Year	<u>\$ 165,747</u>

See accompanying notes to the financial statements.

HICKORY CHASE COMMUNITY AUTHORITY
STATEMENT OF CASH FLOWS
PERIOD OR THE YEAR ENDED DECEMBER 31, 2008

Cash Flows from Operating Activities	
Cash Payments for Administrative Fees	\$ (4,434)
Cash Payments for Legal Fees	(23,702)
Cash Payments for Insurance	(3,013)
Net Cash Used in Operating Activities	<u>(31,149)</u>
Cash Flows from Investing Activities	
Interest Received on investments	<u>398,530</u>
Net Cash Provided by Investing Activities	<u>398,530</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from Sale of Bonds	25,373,915
Acquisition and Construction of Capital Assets	(8,827,799)
Interest Paid on Bonds	(1,049,864)
Bond Issue Costs	(477,914)
Net Cash Provided by Capital and Related Financing Activities	<u>15,018,338</u>
Net Increase in Cash & Investments	15,385,719
Cash & Investments, Beginning of Year	-
Cash & Investments, End of Year	<u>\$ 15,385,719</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Used for Operating Activities:	
Operating Income	\$ 184,581
Adjustments	
Increase in receivables	(216,000)
Increase in accounts payable	<u>270</u>
Net Cash Used in Operating Activities	<u>\$ (31,149)</u>

See accompanying notes to the financial statements.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1—FINANCIAL REPORTING ENTITY

The Hickory Chase Community Authority (the “Authority”) was created pursuant to Chapter 349 of the Ohio Revised Code (the “Act”) which provides for the creation of “new community districts”. On June 2, 2007 Columbus Campus, LLC (the “Developer”) filed a petition (the “Petition”) for the establishment of the Authority with the Board of County Commissioners of Franklin County, Ohio. In accordance with the Act, the Petition was accepted by the County Commissioners’ Resolution No. 663-07 on July 31, 2007. 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 was thereby organized as a body corporate and politic in the State.

The Hickory Chase Community District (the “District”) consists of approximately 77 acres of land and is located southeast of the intersection of Leap Road and Davidson Road in the City of Hilliard, Ohio. The Development was originally planned to consist of a continuing care retirement community with approximately 1,529 independent living units in thirteen multi-story congregate residential buildings, two community buildings, a chapel and a maintenance building. In addition, a health care center, including approximately 132 assisted living units and 84 skilled nursing units, was to be constructed within the Development but outside the District. Currently, the Developer has ceased construction of the project.

The Series 2008 Bonds are special obligations of Hickory Chase Community Authority, as “Issuer”, payable solely from the Pledged Receipts, as defined in the Trust Agreement, dated as of March 1, 2008 (the “Trust Agreement”) between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The Pledged Receipts consist of (i) the service payments to be paid to the Issuer by the City of Hilliard (the “City”) under an Intergovernmental Cooperation Agreement by and among the Issuer, the Trustee and the City (“Available Service Payments”), (ii) the money collected by the Issuer as community development charges on property within the District (“Community Development Charges”), (iii) impact fees collected by the City from the Developer from building permits issued by the City for each independent living unit within the District and transferred to the Issuer pursuant to the Cooperative Agreement (“Impact Fees”), (iv) all receipts standing to the credit of the Revenue Fund, the Debt Service Fund, the Impact Fee Fund, the Project Fund, the Bond Reserve Fund, the Supplemental Reserve Fund and the Surplus Fund, and (v) any other revenues, receipts and other moneys assigned under the Trust Agreement.

Bond proceeds in the amount of \$25,760,000 are to be used to finance improvements to roads within the District, improvements to storm and sanitary sewers, pedestrian facilities, traffic control, landscaping and irrigation. Erickson Retirement Communities

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1—FINANCIAL REPORTING ENTITY (CONTINUED)

(“Erickson”) was to develop the Development, known as “Hickory Chase”, on behalf of the Developer, pursuant to a Development Agreement entered into between the Developer and Erickson. Erickson is the sole member of the Developer and Erickson Construction, LLC, the construction manager for the Development.

The Authority is governed by a Board of Trustees composed of seven members. The County Commissioners appoint three members to represent the interest of present and future residents of the District and one member to serve as a representative of local government. The Developer appoints three members as representatives of the Developer. The members currently serve without compensation.

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 after November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

Basis of Accounting and Presentation

The Authority’s basic financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. The Authority uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Authority’s financial activity is accounted for using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs.

The Authority uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the accounting period in which the related liability is incurred.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Authority considers all highly liquid investments having an original maturity of three months or less when purchased to be cash equivalents.

Debt Issuance Costs

Debt issuance costs are amortized equally over the life of the bond using the straight-line method of amortization.

Capitalized Interest

The Authority capitalizes interest costs that relate to the construction of the infrastructure improvements. Interest costs of improvements made with tax exempt borrowings are reduced by interest earned on invested debt proceeds over the same construction period.

Capital Assets

Capital assets are capitalized at cost and updated for additions and reductions during the year. The Authority does not maintain a capitalization threshold as all infrastructure assets are capitalized. The Authority does not depreciate capital assets as all assets will be donated upon completion.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. 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.

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.

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 imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent assets that are only to be used for developing roadways in the District.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 3—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, pass book accounts.

Interim deposits are deposits of interim 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, debenture, 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 Banks, 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 agreements 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.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 3—CASH AND CASH EQUIVALENTS (CONTINUED)

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

The Authority may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio,
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the Authority.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial Credit Risk – Deposits is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned. There is no custodial credit risk to these accounts as the entire bank balance was covered by the Federal Deposit Insurance Corporation or collateralized in accordance with the requirements of the Trust Indenture.

Investments

As of December 31, 2009, the Authority had the following investments and maturities:

	Fair Value	6 months or less	7 or more months
Money Market Funds	\$ 5,334,897	\$ 5,334,897	\$ -
Repurchase Agreements	2,792,651	-	2,792,651
Total	\$ 8,127,548	\$ 5,334,897	\$ 2,792,651

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 3—CASH AND CASH EQUIVALENTS (CONTINUED)

As of December 31, 2008, the Authority had the following investments and maturities:

	Fair Value	6 months or less	7 or more months
Money Market Funds	\$ 2,520,633	\$ 2,520,633	\$ -
Repurchase Agreements	12,865,086	-	12,865,086
Total	\$ 15,385,719	\$ 2,520,633	\$ 12,865,086

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. The Authority does not have a policy to limit its exposure to interest rate risk; however, the Authority's investments in money market funds are withdrawable on demand.

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Trust Indenture specifies that investment providers must have a rating of at least "AA-" by S&P or "Aa3" by Moody's. Investments at December 31, 2009 and 2008 have met the ratings criteria.

Concentration of credit risk can also arise by failing to adequately diversify investments. The Authority places no limits on the amount that may be invested in any one issuer.

NOTE 4—CAPITAL ASSETS

The Authority's capital asset activity for the years ended December 31, 2009 and 2008 was as follows:

2009	Beginning Balance	Additions	Reductions	Ending Balance
Construction in progress	\$ 9,071,339	\$ 6,300,262	\$ -	\$ 15,371,601
Capitalized bond interest	1,198,430	1,782,788	-	2,981,218
Capitalized investment income	(436,047)	(285,964)	-	(722,011)
Total Capital Assets	\$ 9,833,722	\$ 7,797,086	\$ -	\$ 17,630,808

2008	Beginning Balance	Additions	Reductions	Ending Balance
Construction in progress	\$ -	\$ 9,071,339	\$ -	\$ 9,071,339
Capitalized bond interest	-	1,198,430	-	1,198,430
Capitalized investment income	-	(436,047)	-	(436,047)
Total Capital Assets	\$ -	\$ 9,833,722	\$ -	\$ 9,833,722

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 4—CAPITAL ASSETS (CONTINUED)

Pursuant to the Developer’s Agreement, all infrastructure improvements will be donated to the City upon completion. Improvements are expected to be completed no later than December 31, 2011.

NOTE 5—LONG-TERM DEBT

On April 29, 2008 the Authority issued Infrastructure Improvement Revenue Bonds, Series 2008 (the “Bonds”) in the amount of \$25,760,000 for the purpose of (i) financing the cost of certain infrastructure improvements within the District, (ii) funding the Bond Reserve Fund in the amount required, (iii) funding interest on the Bonds for a period of three years from the issuance date, and (iv) paying certain costs relating to the issuance of the Bonds.

The Bonds constitute two term bonds: Term 1 Bonds, bearing interest at 6.75% with a final maturity at December 1, 2027, and Term 2 Bonds, bearing interest at 7.0% with a final maturity at December 1, 2038. Interest on the Bonds shall be paid each June 1 and December 1 beginning on December 1, 2008. The Bonds are subject to optional redemption, mandatory sinking fund redemption, and extraordinary mandatory redemption at various dates through December 1, 2038.

Annual debt service requirements to maturity for the Bonds are as follows:

For the Year Ending December 31:	Term 2027 Bonds 6.75% \$8,165,000		Term 2038 Bonds 7.0% \$17,595,000	
	Principal	Interest	Principal	Interest
2010	\$ -	\$ 551,138	\$ -	\$ 1,231,650
2011	-	551,138	-	1,231,650
2012	-	551,138	-	1,231,650
2013	-	551,138	-	1,231,650
2014	-	551,138	-	1,231,650
2015-2019	1,355,000	2,681,438	-	6,158,250
2020-2024	3,835,000	1,814,400	-	6,158,250
2025-2029	2,975,000	410,063	2,340,000	6,079,150
2030-2034	-	-	7,430,000	4,370,100
2035-2038	-	-	7,825,000	1,394,050
	<u>\$ 8,165,000</u>	<u>\$ 7,661,589</u>	<u>\$ 17,595,000</u>	<u>\$ 30,318,050</u>

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 6—PLEGGED RECEIPTS REVENUE

Debt service charges on the bonds are payable from the Pledged Receipts which include (i) Available Service Payments, (ii) Impact Fees, and (iii), Community Development Charges, if any. Impact fees totaling \$216,000 were received from the City in 2009. There were no Available Service Payments or Community Development Charges accrued for or received during 2009 or 2008.

NOTE 7—STATUS OF THE DEVELOPMENT AND DEVELOPER

On July 2, 2009, KeyBank National Association, as construction lender for Hickory Chase, filed a foreclosure complaint in the Franklin County Court of Common Pleas (case number is 09 CVE 79921) seeking to foreclose on the Hickory Chase site for nonpayment of certain amounts due to KeyBank and other construction lenders under the construction loan.

On October 19, 2009, Erickson Retirement Communities filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of Texas. Columbus Campus LLC, the property owner, is listed as a debtor in the bankruptcy matter. Columbus Campus LLC agreed to give KeyBank a deed in lieu of foreclosure and had consented to the appointment of a receiver more than 90 days prior to the bankruptcy filing. However, Key Bank cannot proceed with its foreclosure action against Columbus Campus LLC without obtaining relief from the automatic stay imposed by the bankruptcy code.

On December 22, 2009, an auction sale of the majority of Erickson's assets was held and Redwood Capital Investments, LLC ("Redwood") emerged as the successful bidder.

On December 30, 2009, a Disclosure Statement for Debtor's First Amended Joint Plan of Reorganization was filed in the bankruptcy matter which deals in part with assets of Erickson that will not be purchased by Redwood, including the Hickory Chase site. Under the Amended Plan and Disclosure Statement, Erickson proposed to liquidate the Hickory Chase site through a Bankruptcy Code Section 363 sale or deed in lieu of sale transaction where the buyer would receive title free and clear of all liens and the proceeds of the sale would be distributed to the creditor of Columbus Campus LLC. Bond counsel is currently preparing an objection to the Disclosure Statement to clarify that the lien interest held by the Authority and the Trustee on the Hickory Chase site exists as a matter of state law and cannot be extinguished.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 7—STATUS OF THE DEVELOPMENT AND DEVELOPER (CONTINUED)

The foreclosure matter will not be resolved in the near future because (i) as a result of the bankruptcy matter, the foreclosure is currently on hold pending permission to proceed from the U.S. Bankruptcy Court, and (ii) before KeyBank can complete a foreclosure sale on the Hickory Chase site, KeyBank and each mechanic's lien claimant must resolve all outstanding priority issues. The delay in the foreclosure will inevitably delay receiving certain pledged revenues and will also hamper the identification of a new developer entity to own and operate the Hickory Chase site.

NOTE 8—CONTINGENT LIABILITIES

As of December 31, 2009 there were no claims or lawsuits pending against the Authority.



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

Board of Trustees
Hickory Chase Community Authority
3800 Municipal Way
Hilliard, Ohio 43026

We have audited the financial statements of the Hickory Chase Community Authority, Franklin County, Ohio (the Authority), as of and for the years ended December 31, 2009 and December 31, 2008, and have issued our report thereon dated May 5, 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.

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 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 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
Hickory Chase Community Authority
Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
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We intend this report solely for the information and use of management, the Board of Trustees, and others within the Authority. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
May 5, 2011



Dave Yost • Auditor of State

HICKORY CHASE 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
JUNE 23, 2011