Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2011 and 2010
Fiscal Years Audited Under GAGAS: 2011 and 2010

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

We have reviewed the *Independent Auditor's Report* of the New Albany Community Authority, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

July 16, 2012

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New Albany Community Authority
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For the Years Ended December 31, 2011 and 2010

Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities of the New Albany Community Authority, Franklin County, Ohio, (the Authority), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the New Albany Community Authority, as of December 31, 2011 and 2010, and the changes in financial position 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 18, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should be read in conjunction with this report in considering the results of our audit.

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 on 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

Balestra, Harr & Scherer, CPAs, Inc.
May 18, 2012

The discussion and analysis of the New Albany Community Authority's financial performance provides an overview of the Authority's financial performance as a whole for the years ended December 31, 2011 and 2010. The intention of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

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

Financial Highlights

Key financial highlights for 2011 and 2010 follow:

- Total assets increased $447,481, or 1.75%, between 2010 and 2011 and $1,724,273 or 7.23%, between 2009 and 2010. Total liabilities decreased $2,932,101, or 5.47%, between 2010 and 2011 and $1,730,404, or 3.13%, between 2009 and 2010. Total net assets increased $3,379,582 or 12.06%, between 2010 and 2011 and increased $3,454,677, or 10.97%, between 2009 and 2010.
- Total revenues increased $996,823, or 13.11%, between 2010 and 2011 and decreased $332,563, or 4.19%, between 2009 and 2010. Total expenditures increased $1,071,918, or 25.84%, between 2010 and 2011 and decreased $959,205, or 18.78%, between 2009 and 2010.

Using this Annual Financial Report

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

Statement of Net Assets

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

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

Table 1 provides a summary of the Authority's net assets for 2011 and 2010 compared to 2009.

Table 1
Net Assets

	2011	2010	2011/2010 Change	2009	2009/2010 Change
Assets					
Current and Other Assets	$26,006,103	$25,558,622	$447,481	$23,834,349	$1,724,273
Total Assets	26,006,103	25,558,622	447,481	23,834,349	1,724,273
Liabilities					
Other Liabilities	993,148	1,223,234	(230,086)	1,063,638	159,596
Long-Term Liabilities	49,662,985	52,365,000	(2,702,015)	54,255,000	(1,890,000)
Total Liabilities	50,656,133	53,588,234	(2,932,101)	55,318,638	(1,730,404)
Net Assets					
Unrestricted	(24,650,030)	(28,029,612)	3,379,582	(31,484,289)	3,454,677
Total Net Assets	($24,650,030)	($28,029,612)	$3,379,582	($31,484,289)	$3,454,677

The increase in total assets between 2010 and 2011 was due to an increase in cash and equivalents of $545 thousand that was offset by a decrease in accounts receivable of $74 thousand, related to the community development charge, income tax and lease receivable. The decrease in liabilities between 2010 and 2011 was due to principal payments on outstanding bonds of $2.7 million, and a decrease in accounts payable and unearned income of $313 thousand.

The increase in total assets between 2009 and 2010 was due to an increase in cash and cash equivalents of $2.2 million offset by a decrease in accounts receivable of $379 thousand. The decrease in liabilities between 2009 and 2010 was due to principal payments on outstanding bonds of $1.9 million.

Table 2 provides a summary of changes in the Authority's net assets for 2011 and 2010 as well as revenue and expense comparison to 2009.

Table 2
Changes in Net Assets

	2011	2010	2011/2010 Change	2009	2009/2010 Change
Revenues					
Operating Revenue					
Community development charge	$3,772,571	$4,086,415	($313,844)	$4,031,758	$54,657
Lease interest income	50,700	57,600	(6,900)	64,200	(6,600)
Village of New Albany income tax	4,772,747	3,447,998	1,324,749	3,777,862	(329,864)
Total operating revenue	8,596,018	7,592,013	1,004,005	7,873,820	(281,807)
Non-operating revenue					
Interest income	3,728	10,910	(7,182)	61,666	(50,756)
Total non-operating revenue	3,728	10,910	(7,182)	61,666	(50,756)
Total revenue	8,599,746	7,602,923	996,823	7,935,486	(332,563)
Expenses					
Operating expenses					
Bank charges	945	0	945	1,519	(1,519)
Insurance	4,972	9,063	(4,091)	1,438	7,625
Accounting fees	12,208	10,239	1,969	15,427	(5,188)
Legal fees	7,691	16,124	(8,433)	27,880	(11,756)
Professional fees	10,110	4,799	5,311	3,550	1,249
Bond trustee fees	18,000	4,378	13,622	8,420	(4,042)
Remarketing fees	5,455	11,000	(5,545)	11,877	(877)
Amortization	241,693	63,774	177,919	63,774	0
Letter of credit fees	58,250	261,638	(203,388)	112,891	148,747
Total operating expenses	359,324	381,015	(21,691)	246,776	134,239
Non-operating expenses					
Interest expense	2,425,684	2,396,005	29,679	2,605,788	(209,783)
Donation of assets	2,435,156	1,371,226	1,063,930	2,254,887	(883,661)
Total non-operating expenses	4,860,840	3,767,231	1,093,609	4,860,675	(1,093,444)
Total expenses	5,220,164	4,148,246	1,071,918	5,107,451	(959,205)
Change in net assets	3,379,582	3,454,677	(75,095)	2,828,035	626,642
Beginning net assets	(28,029,612)	(31,484,289)	3,454,677	(34,312,324)	2,828,035
Ending net assets	($24,650,030)	($28,029,612)	$3,379,582	($31,484,289)	$3,454,677

The increase in total revenues between 2010 and 2011 was due largely to an increase in income taxes of $1.3 million offset by a decrease of $314 thousand in the Community Development Charge. The increase in total expenses between 2010 and 2011 was due an increase in donation of assets of $1.1 million.

The decrease in total revenues between 2009 and 2010 was due largely to a decrease in income taxes of $330 thousand offset by an increase of $55 thousand in the Community Development Charge. The decrease in total expenses between 2009 and 2010 was due a decrease in donation of assets of $883 thousand and a decrease in interest expense of $210 thousand.

Debt Administration

The Authority finances construction in progress primarily through the issuance of bonds. At December 31, 2011 and 2010, debt outstanding was $49,470,000 and $52,365,000, respectively. See Note 9 of the notes to the basic financial statements for more detailed information on the Authority's debt obligations.

Request for Information

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

New Albany Community Authority
Statement of Net Assets
December 31, 2011

Assets:		
Cash and cash equivalents	$	41,727
Cash with fiscal and escrow agents		20,044,270
Community development charge receivable		3,838,655
Income tax receivable		348,796
Lease receivable		860,300
Infrastructure reimbursement receivable		985
Unamortized financing costs		871,370
Total assets:	$	26,006,103
Liabilities:		
Accounts payable	$	19,535
Interest payable		753,883
Unearned income		135,300
Assessment credits		84,430
Long term liabilities:		
Due within one year		4,698,317
Due in more than one year		44,964,668
Total liabilities:		50,656,133
Net Assets:		
Unrestricted net assets		(24,650,030)
Total net assets:		($24,650,030)

See accompanying notes to the financial statements.

New Albany Community Authority

Statement of Revenues, Expenses and Change in Net Assets

For the Year Ended December 31, 2011

Operating revenues:	
Community development charge	$ 3,772,571
Lease interest income	50,700
Village of New Albany income tax	4,772,747
Total operating revenues:	8,596,018
Operating expenses:	
Bank charges	945
Insurance	4,972
Accounting fees	12,208
Legal fees	7,691
Professional fees	10,110
Bond trustee fees	18,000
Remarketing fees	5,455
Amortization	241,693
Letter of credit fees	58,250
Total operating expenses:	359,324
Operating income:	8,236,694
Non-operating revenues/(expenses):	
Interest income	3,728
Interest expense	(2,425,684)
Donations	(2,435,156)
Total non-operating revenues/(expenses):	(4,857,112)
Net income:	3,379,582
Net assets at beginning of year	(28,029,612)
Net assets at end of year	$ (24,650,030)

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Cash Flows
For the Year Ended December 31, 2011

Increase/(decrease) in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from community development charge	4,098,744
Cash received from village income tax	4,183,766
Cash received from lease	170,700
Cash payments for administrative expenses	(81,678)
Cash payments for letter of credit fees	(58,250)
Net cash provided by operating activities:	8,313,282
Cash flows from capital and related financing activities:	
Proceeds from debt issuance	8,102,133
Cash payments for debt service principal	(10,804,148)
Cash payments for debt service interest	(2,427,018)
Cash donations	(2,643,317)
Net cash used by capital and related financing activities:	(7,772,350)
Cash flows from investing activities:	
Interest	3,728
Net cash provided by investing activities:	3,728
Net increase in cash and cash equivalents:	544,660
Cash and cash equivalents at beginning of year	19,541,337
Cash and cash equivalents at end of year	$ 20,085,997
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 8,236,694
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization	241,693
Changes in assets and liabilities:	
Decrease in community development charge receivable	241,743
Increase in income tax receivable	(348,796)
Decrease in lease receivable	170,700
Decrease in accounts payable	(22,297)
Decrease in assessment	(240,185)
Increase in prepaid income tax	84,430
Decrease in unearned income	(50,700)
Net cash provided by operating activities:	$ 8,313,282

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Net Assets
December 31, 2010

Assets:		
Cash and cash equivalents	$	91,403
Cash with fiscal and escrow agents		19,449,934
Community development charge receivable		4,080,398
Lease receivable		1,031,000
Infrastructure reimbursement receivable		11,313
Unamortized financing costs		894,574
Total assets:	$	25,558,622
Liabilities:		
Accounts payable		41,832
Interest payable		755,217
Unearned income		186,000
Prepaid income tax		240,185
Long term liabilities:		
Due within one year		1,995,000
Due in more than one year		50,370,000
Total liabilities:		53,588,234
Net assets:		
Unrestricted net assets		(28,029,612)
Total net assets:		(28,029,612)

See accompanying notes to the financial statements.

New Albany Community Authority

Statement of Revenues, Expenses and Change in Net Assets

For the Year Ended December 31, 2010

Operating revenues:	
Community development charge	$ 4,086,415
Lease interest income	57,600
Village of New Albany income tax	3,447,998
Total operating revenues:	7,592,013
Operating expenses:	
Insurance	9,063
Accounting fees	10,239
Legal fees	16,124
Professional fees	4,799
Bond trustee fees	4,378
Remarketing fees	11,000
Amortization	63,774
Letter of credit fees	261,638
Total operating expenses:	381,015
Operating income:	7,210,998
Non-operating revenues/(expenses):	
Interest income	10,910
Interest expense	(2,396,005)
Donations	(1,371,226)
Total non-operating revenues/(expenses):	(3,756,321)
Net income:	3,454,677
Net assets at beginning of year	(31,484,289)
Net assets at end of year	($28,029,612)

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Cash Flows
For the Year Ended December 31, 2010

Increase/(decrease) in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from community development charge	$4,027,520
Cash received from village income tax	3,963,740
Cash received from lease	172,600
Cash payments for administrative expenses	(55,921)
Cash payments for letter of credit fees	(261,638)
Net cash provided by operating activities:	7,846,301
Cash flows from capital and related financing activities:	
Cash payments for debt service principal	(1,890,000)
Cash payments for debt service interest	(2,418,676)
Cash donations	(1,335,994)
Net cash used by capital and related financing activities:	(5,644,670)
Cash flows from investing activities:	
Interest	10,910
Net cash provided by investing activities:	10,910
Net increase in cash and cash equivalents:	2,212,541
Cash and cash equivalents at beginning of year	17,328,796
Cash and cash equivalents at end of year	$19,541,337
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$7,210,998
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization	63,774
Changes in assets and liabilities:	
Increase in community development charge receivable	(58,895)
Decrease in income tax receivable	275,557
Decrease in lease receivable	172,600
Increase in prepaid income tax	240,185
Decrease in accounts payable	(318)
Decrease in unearned income	(57,600)
Net cash provided by operating activities:	$7,846,301

See accompanying notes to the financial statements.

NOTE 1-DESCRIPTION OF THE ENTITY

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

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

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

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

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

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation:

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

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

NOTE 3-ACCUMULATED DEFICIT

At December 31, 2011 and 2010, the Authority had accumulated deficits of $24,650,030 and $28,029,612, respectively. This deficit is a result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publicly owned and operated community facilities. The Authority incurs the costs of constructing community facilities. The titles to these assets are then transferred to the community and the related costs are recorded as an expense. This deficit will be reduced and eliminated as outstanding debt is paid. See Note 9 for further discussion of debt repayment.

NOTE 4-CASH AND CASH EQUIVALENTS

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

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

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

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

NOTE 4-CASH AND CASH EQUIVALENTS (continued)

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

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

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

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

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

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

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

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

1. Bonds of the State of Ohio;

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

3. Obligations of the Authority.

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

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

NOTE 4-CASH AND CASH EQUIVALENTS (continued)

Deposits

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

At year end December 31, 2011 and 2010, the carrying amounts of the Authority's deposits were $41,727 and $91,403, respectively. The bank balances were $57,626 and $106,361, respectively. The total bank balances were federally insured up to $250,000.

Investments

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

	Category 2	Carrying/Fair Value	Weighted Average Maturity (Years)
2011			
U.S. Government Securities	$20,044,270	$20,044,270	< 1 year
Total	$20,044,270	$20,044,270	
2010			
U.S. Government Securities	$19,449,934	$19,449,934	< 1 year
Total	$19,449,934	$19,449,934	

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

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

NOTE 4-CASH AND CASH EQUIVALENTS (continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's investment policy allows investments in money market accounts, certificates of deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. For the years ended December 31, 2011 and 2010, the Authority has invested 100% of its investments in U.S. Government Securities.

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

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

NOTE 5-CASH WITH FISCAL AND ESCROW AGENTS

At year end December 31, 2011 and 2010, the carrying amounts of the Authority's cash with fiscal and escrow agents were $20,044,270 and $19,449,934, respectively. These amounts are held in escrow for projects funded by bond issuances. These funds are held in Money Market Accounts invested in U.S. Government Securities.

NOTE 6-COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community development charge up to 9.75 mills on the assessed value of all property within the District. The charge was levied at 4.75 mills and 4.75 mills for 2011 and 2010, respectively. Charge revenue recognized represents the amount levied as of October 1 of the preceding year.

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

The 2011 and 2010 assessed values of all property within the District were $808,646,995 and $858,999,949, respectively. The 2011 and 2010 receivables recognized based on these figures were $3,838,655 and $4,080,398, respectively.

NOTE 7-DIRECT FINANCING LEASE

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

NOTE 7-DIRECT FINANCING LEASE (continued)

The amortization of the lease payments as of December 31, 2011 are as follows:

Year	Principal	Interest	Total
2012	$130,000	$43,500	$173,500
2013	135,000	35,700	170,700
2014	145,000	27,600	172,600
2015	155,000	18,900	173,900
2016	160,000	9,600	169,600
	725,000	$135,300	$860,300

NOTE 8-VILLAGE OF NEW ALBANY INCOME TAX

The Authority receives 30% and 50%, respectively, from Phase I and Phase II of the gross income tax revenues collected by the Village of New Albany for the Economic Opportunity Zone. The Economic Opportunity Zone is approximately 950 acres of land that the New Albany Company is developing into a business campus. The Village of New Albany Income Tax is used to make payments on the Multi-Purpose Infrastructure Bonds described in Note 9.

NOTE 9-DEBT

Changes in the Authority's long-term liabilities during 2011 and 2010 consisted of the following:

	Outstanding 12/31/2010	Additions	Reductions	Outstanding 12/31/2011	Amounts Due Within One Year
Community Facilities Refunding Bonds, Series B, 2001, $52,965,000, 3-5.5%	$42,720,000	$0	$1,875,000	$40,845,000	$2,030,000
Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series C, $16,100,000, .25-4%	8,800,000	0	$8,800,000	0	0
Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series D, $5,900,000, 1.25-3.81%	0	5,900,000	0	5,900,000	510,000
Multi-Purpose Infrastructure Improvement and Refunding Notes, Series D, $2,000,000, 1%	0	2,000,000	0	2,000,000	2,000,000
Premium on Refunding Notes Issued	0	10,020	0	10,020	10,020
Premium on Refunding Bond Issued	0	192,113	9,148	182,965	18,297
Wellness Center Revenue Bonds, 1996, $2,000,000, 4-6%	845,000	0	120,000	725,000	130,000
Total	$52,365,000	$8,102,133	$10,804,148	$49,662,985	$4,698,317

NOTE 9-DEBT (continued)

	Outstanding 12/31/2009	Additions	Reductions	Outstanding 12/31/2010	Amounts Due Within One Year
Community Facilities Refunding Bonds, Series B, 2001, $52,965,000, 3-5.5%	$44,495,000	$0	$1,775,000	$42,720,000	$1,875,000
Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series C, $16,100,000, 2-4%	8,800,000	0	0	8,800,000	0
Wellness Center Revenue Bonds, 1996, $2,000,000, 4-6%	960,000	0	115,000	845,000	120,000
Total	$54,255,000	$0	$1,890,000	$52,365,000	$1,995,000

Community Facilities Refunding Bonds, Series B: In 2001, the Authority issued Community Facilities Refunding Bonds, Series B in the amount of $52,965,000. The proceeds of the bonds were used to advance refund Community Facilities Bonds, Series A and current refund Subordinated Notes held by the New Albany Company. The bonds have a final stated principal maturity of October 1, 2024, with mandatory principal redemptions on December 1 in the years 2003 through 2024. Except for bond service reserve referred to below, the Authority's Community Development Charge is the sole source of funds for principal and interest payments. The reserve account for the bonds was initially funded at $5,458,280 with $2,729,140 of bond proceeds and a letter of credit from JP Morgan Chase (formerly Bank One, N.A.) in the amount of $2,729,140. As of December 31, 2011 and 2010, the reserve account carrying amounts were $5,458,280 and $5,458,280, respectively.

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

Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series C: In 2000, the Authority issued the Multi-Purpose Infrastructure Improvement Bonds, Series B in the amount of $16,700,000. The proceeds of the bonds were used to currently refund Multi-Purpose Infrastructure Improvement Bonds, Series A and for construction of infrastructure in the New Albany Economic Opportunity Zone. In 2004, the Authority current refunded Series B bonds with a Series C issuance of $16,100,000. Interest rates range from 2 to 4%. The bonds have a final stated principal maturity of February 1, 2025, with mandatory principal redemptions on February 1 in the years 2004 through 2024. In 2011, the Authority current refunded Series C bonds with a combination of Series D bonds issued at $5,900,000 and a Series D note of $2,000,000 plus $800,000 in cash. The fixed rate bonds have a net interest cost of 3.45%, are callable after five years and are scheduled to be retired in December 2021. The note was issued with a 1.2% interest rate and will mature on June 1, 2012. The Authority's sole source of repayment for these bonds is from income taxes on businesses in Phase I and Phase II of the Economic Opportunity Zone. The Authority receives 30% and 50%, respectively, from Phase I and Phase II of the gross income tax revenues collected by the Village of New Albany for the Economic Opportunity Zone. The Authority initially had credit and liquidity support for the bonds in an irrevocable standby letter of credit in the amount of $16,219,979 with Key Bank. As of December 31, 2010, the outstanding amount of the irrevocable standby letter of credit was $8,865,578. On May 20, 2011, the letter of credit was canceled by the Authority.

NOTE 9-DEBT (continued)

Long-term debt requirements for the Community Facilities Refunding Bonds as of December 31, 2011 are as follows:

Year	Principal	Interest	Total
2012	$2,030,000	$2,128,836	$4,158,836
2013	2,145,000	2,015,605	4,160,605
2014	2,260,000	1,896,049	4,156,049
2015	2,395,000	1,769,892	4,164,892
2016	2,535,000	1,642,243	4,177,243
2017-2021	15,090,000	5,960,745	21,050,745
2023-2024	14,390,000	1,470,170	15,860,170
Total	$40,845,000	$16,883,540	$57,728,540

Long-term debt requirements for the Wellness Center Revenue Bonds as of December 31, 2011 are as follows:

Year	Principal	Interest	Total
2012	$130,000	$43,500	$173,500
2013	135,000	35,700	170,700
2014	145,000	27,600	172,600
2015	155,000	18,900	173,900
2016	160,000	9,600	169,600
Total	$725,000	$135,300	$860,300

Long-term debt requirements for the Multi-Purpose Infrastructure Improvement Bonds as of December 31, 2011 are as follows:

Year	Principal	Interest	Total
2012	$510,000	$209,600	$719,600
2013	525,000	194,300	719,300
2014	540,000	178,550	718,550
2015	560,000	162,350	722,350
2016	575,000	145,550	720,550
2017-2021	3,190,000	413,750	3,603,750
Total	$5,900,000	$1,304,100	$7,204,100

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

New Albany Community Authority
Franklin County
8000 Walton Parkway, Suite 120
New Albany, Ohio 43054

To the Board of Trustees:

We have audited the financial statements of the business-type activities of New Albany Community Authority, Franklin County, (the Authority), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 18, 2012. 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*.

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

Balestra, Harr & Scherer, CPAs, Inc.
May 18, 2012

Dave Yost • Auditor of State

NEW ALBANY COMMUNITY AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 26, 2012

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