



**Auditor of State
Betty Montgomery**

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

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**Auditor of State
Betty Montgomery**

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, 2001, 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, 2001, 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.

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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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 28, 2004

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**BALANCE SHEET
DECEMBER 31, 2001**

Assets

Cash and Cash Equivalents	\$ 3,850,353
Community Development Charge Receivable	45,289
Accounts Receivable	1,174,100
Bond Costs Capitalized	725,203
Restricted Assets	
Cash with Fiscal and Escrow Agents	5,505,764
Fixed Assets	<u>12,321,579</u>
 Total Assets	 <u>23,622,288</u>

Liabilities

Accounts Payable	317,117
Community Facilities Bonds Payable	22,300,000
ECA Notes Payable	6,962,104
Accrued Interest Payable	<u>30,573</u>
 Total Liabilities	 <u>29,609,794</u>

Equity

Accumulated Deficit	<u>(5,987,506)</u>
 Total Liabilities and Equity	 <u><u>\$ 23,622,288</u></u>

See Accompanying Notes to the Financial Statements

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/(ACCUMULATED DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2001**

<u>Operating Revenues</u>	
Community Development Charges	<u>\$ 89,367</u>
Total Operating Revenues	<u>89,367</u>
<u>Operating Expenses</u>	
Cash Management Fee	18,693
Remarketing Expense	12,601
Line of Credit Fees	<u>172,050</u>
Total Operating Expenses	<u>203,344</u>
Operating Loss	<u>(113,977)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Revenue	272,969
Tap Fees	2,414,870
Interest Expense	(399,439)
Amortization Expense	<u>(16,482)</u>
Total Non-Operating Revenues (Expenses)	<u>2,271,918</u>
Income before Contributions	2,157,941
Capital Contributions to Delaware County	<u>(8,145,447)</u>
Net Loss	(5,987,506)
Retained Earnings at Beginning of Year	<u>-</u>
Accumulated Deficit at End of Year	<u><u>\$ (5,987,506)</u></u>

See Accompanying Notes to the Financial Statements

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001**

Increases (Decreases) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Community Development Charges	\$ 44,078
Cash Management Fees	(18,693)
Cash Payments for Remarketing Fees	(12,601)
Cash Payments for Letter of Credit Fees	(172,050)
	(172,050)

Net Cash Used for Operating Activities (159,266)

Cash Flows from Capital and Related Financing Activities

Acquisition of Fixed Assets	(20,149,908)
Tap Fees	1,240,770
Interest Paid on Bonds	(368,866)
Issuance Costs Paid on Bonds	(741,685)
Proceeds of Bonds	22,300,000
Proceeds of ECA Note	6,962,104
	9,242,415

Net Cash Provided by Capital and Related Financing Activities 9,242,415

Cash Flows from Investing Activities

Interest 272,968

Net Cash Provided by Investing Activities 272,968

Net Increase in Cash and Cash Equivalents 9,356,117

Cash and Cash Equivalents End of Year \$9,356,117

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating Loss (\$113,977)

Changes in Assets and Liabilities:

Increase in Development Charge Receivable (45,289)

Net Cash Used for Operating Activities \$ (159,266)

Non-Cash Capital Transactions

In 2001, the authority donated \$883,000 and \$7,262,447 in land and land improvements, respectively, to Delaware County for the Sawmill Parkway Road project

See Accompanying Notes to the Financial Statements

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**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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.

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.

The Authority is comprised of approximately 1,000 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.

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.

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus and Basis of Accounting (Continued)

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 2001, investments were limited to STAR Ohio. 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 share price.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. The Authority also has proceeds of Community Facilities Bonds that are 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 are presented on the balance sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents".

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 issuance.

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.

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 capitalizes all cost associated with fixed assets. Improvements are capitalized; the costs of normal maintenance and repairs 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.

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fixed Assets (Continued)

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 2001, 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. Capital Contributions

Capital contributions on the proprietary fund financial statements arise from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. In addition, the Authority also donates infrastructure, land, and land improvements to entities upon completion of projects.

I. 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, 2001, the Authority has an accumulated deficit of \$5,987,506. 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 and will be 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 future community development charges.

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

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).

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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 finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's deposits are 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 \$9,030,209, and the bank balance was \$9,031,546. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining balance of \$8,931,546 was uninsured and uncollateralized.

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
STAR Ohio	\$325,908
Total Investments	\$325,908

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	\$9,356,117	\$0
Investments:		
STAR Ohio	(325,908)	325,908
GASB Statement No. 3	\$9,030,209	\$325,908

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

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.

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 assessed value of real property upon which 2001 charge receipts were based is \$4,417,500.

NOTE 6 - TAP FEE CREDITS

On March 12, 2001 Delaware County granted the Authority the right to sell 763 equivalent 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 percent 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 assets on the Balance sheet. Revenue is recognized when a credit is sold.

The number of taps sold and then released by the Delaware County sanitary engineer in 2001 was 426.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2001, consisted of community development charges and accounts receivable relating to tap fees. Four hundred twenty six (426) taps were sold and then released by the Delaware County sanitary engineer in 2001. The number of taps that were fully paid to the Authority at fiscal year end was 227, with a corresponding account receivable for 199 taps due to the Authority. All receivables are considered collectible in full within one year.

NOTE 8 - FIXED ASSETS

Fixed asset activity for the year ended December 31, 2001, was as follows:

	Balance April 1, 2001	Additions	Reductions	Balance December 31, 2001
Non-depreciable Fixed Assets				
Land	\$ -	\$ 883,000	\$ (883,000)	\$ -
Depreciable Fixed Assets				
Infrastructure	-	19,584,026	(7,262,447)	12,321,579
Less Accumulated Depreciation for Infrastructure	-	-	-	-
Total Depreciable Fixed Assets, Net	-	19,584,026	(7,262,447)	12,321,579
Total Fixed Assets, Net	<u>\$ -</u>	<u>\$20,467,026</u>	<u>\$(8,145,447)</u>	<u>\$ 12,321,579</u>

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 8 - FIXED ASSETS (Continued)

The only project that had been completed at fiscal year end was for the extension of Sawmill Parkway, which was donated less than one month after completion to Delaware County. Therefore, no depreciation is recorded on any fixed assets for 2001. All other projects of the Authority were still in progress.

NOTE 9 – RISK POOL MEMBERSHIP

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% of 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, 2001:

Contractor	Purpose	Contract Amount	Outstanding Balance
Kokosing Construction	Offsite Sanitary Sewer	\$6,910,730	\$1,085,655
Kokosing Construction	Onsite Sanitary Sewer	1,150,795	23,914
Kokosing Construction	Sawmill Parkway	11,094,978	1,298,456

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 2001	2001	Variable	\$23,000,000
Excess Cost Advancement Notes	2001	Variable	\$6,962,104

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

The Authority's long-term obligations activity for the year ended December 31, 2001, was as follows:

Business-Type Activities	Balance April 1, 2001	Additions	Reductions	Balance December 31, 2001	Due Within One Year
Excess Cost Advancement Notes	\$0	\$6,962,104	\$0	\$6,962,104	\$0
Community Facilities Bonds, Series 2001	0	22,300,000	0	22,300,000	0
Total Long Term Obligations	\$0	\$29,262,104	\$0	\$29,262,104	\$0

Community Facilities Bonds, Series 2001

The adjustable rate bonds were issued subject to a trust agreement with Huntington National Bank to provide funds for capitalized interest, line of credit account fees, remarketing agent fees, and the purchase of easements and the contraction of sewer lines, roads, and ditches; along with the purchase of land for the Olentangy Local School District. The capitalized interest, tap fees, and community development charges are pledged for repayment. The Financing Authority expects that all of the debt service on the bonds will be paid from these revenues.

An irrevocable letter of credit was issued by Huntington National Bank in the amount of \$22,605,480 to secure payment of the \$22,300,000 principal and an amount equal to 50 days worth of accrued interest at the maximum rate of 10% per annum. This irrevocable letter of credit is personally guaranteed by Triangle President and Authority Chairman Don Kenney through a guaranty agreement with Huntington National Bank. Additionally, a compensating bank balance owned by Triangle Real Estate is held by Huntington as additional collateralization of the bonds while they are active. An additional restrictive covenant of the Bonds was for the placement of proceeds into various accounts with Huntington National Bank. Each account was set up through the Trust Agreement for a specific purpose related to the Authority. Draw downs of funds on these accounts was first approved by a representative of the Authority and Huntington National Bank prior to funds being released by the Trustee, Huntington Capital Corporation.

The adjustable rate bonds were initially issued in the weekly mode. The bonds shall bear interest at the rate per annum as set each Wednesday by the remarketing agent with due regard to prevailing financial market conditions. If the remarketing agent fails to determine the interest rate, the interest rate for the weekly interest period shall be equal to the Bond Market Association (BMA) Municipal Swap Index on the interest rate determination date computed using a 365 or 366 day per annum. The maximum interest rate is 10 percent per annum. Interest is paid on the first Thursday of each month, commencing on May 3, 2001. The interest period to compute the weekly interest rate includes the period including Thursday through the following Wednesday.

At the option of the Financing Authority, upon certain conditions, the interest rate may be converted from the Weekly Interest Rate to the Fixed Interest Rate for the remaining term of the bonds.

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.

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

Excess Cost Advancement Notes (Continued)

The ECA Notes bear 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. If the 2001 Series Bonds are retired prior to payment of the ECA Notes then the notes shall 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 is not to be made on the Notes unless full payment of amounts then due and payable for principal, premium, or interest on the Community Facilities Bonds, Series 2001 have been made or duly provided in accordance with the terms of the Huntington National Bank trust agreement. After payment on the Community Facilities Bonds has been made or duly provided then payment 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. 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.

During 2001 draw requests were made to Triangle Real Estate totaling \$3,111,750. Interest was computed by Triangle 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 to the Authority's bank account during the year for future ECA Note draws in order to make timely disbursements to vendors. Due to deposit with the Authority these monies are therefore considered to be additional Proceeds of Notes and are included within the ECA Notes Long Term Liability.

The adjustable rate bonds of the Financing Authority are subject to optional redemption on the following dates and in the following amounts.

<u>December 31</u>	<u>Amount</u>	<u>December 31</u>	<u>Amount</u>
2016	\$900,000	2024	\$1,400,000
2017	900,000	2025	1,500,000
2018	1,000,000	2026	1,600,000
2019	1,000,000	2027	1,600,000
2020	1,100,000	2028	1,700,000
2021	1,200,000	2029	1,800,000
2022	1,200,000	2030	2,000,000
2023	1,300,000	2031	2,100,000

The adjustable rate bonds are also subject to prior redemption on or after December 1, by and at the sole option of the Financing Authority, either in whole or in part on any date, and in integral multiples of \$5,000 plus accrued interest to the redemption date.

<u>Redemption Dates</u>	
First Optional Redemption Date, to and including the date prior to the first anniversary of the first optional redemption date	101%
First Anniversary of the First Optional Redemption Date, to and including the date prior to the second anniversary of the First Optional Redemption Date	100%

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

The first optional redemption date means the December 1 occurring in the year that is ten years after the conversion date. The conversion date is that date that the Authority changed from the weekly interest rate to the fixed interest rate.

The Authority's future annual debt service requirements, for the Series 2001 Community Facilities Bonds, including mandatory sinking fund requirements, are as follows:

Year	Adjustable Rate Bonds	
	Principal	Interest
2002	\$0	\$359,030
2003	0	359,030
2004	0	359,030
2005	0	359,030
2006	0	359,030
2007-2011	0	1,795,150
2012-2016	900,000	1,795,150
2017-2021	5,200,000	1,795,150
2022-2026	7,000,000	1,094,800
2027-2031	9,200,000	465,290
	\$22,300,000	\$8,512,700

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.

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.

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 13 - RELATED PARTY (Continued)

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 is 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 is held by Huntington as additional collateralization of the bonds while they are 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.

NOTE 14 - SUBSEQUENT EVENTS

On November 6, 2002, the City of Powell annexed the territory of the Authority into the City and obtained the remaining fixed asset of the Authority. A Pre-Annexation Agreement between the Authority and the City of Powell defined the terms of the annexation. Under, this agreement 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, \$16,356,971, was paid to the Authority from bond proceeds on debt issued by the City of Powell. However, based on the Pre-Annexation Agreement the Authority is required to repay the City for these proceeds with Community Development Charges. These proceeds were used by the Authority to defease a portion of the \$22,300,000 in Community Facilities Bonds, Series 2001.

In addition to the monies from the annexation with the City of Powell and residual restricted cash and cash equivalents held with the Authority's Trustee, the Authority issued \$6,545,000 in Community Facilities Bonds, Series 2002 to defease the \$22,300,000 of Community Facilities Bonds, Series 2001, along with the outstanding Excess Cost Advancement Notes at the time of \$5,942,118.

Prior to annexation by the City in 2002 the Authority donated all fixed assets that were completed, other than the bike path, which consisted of the following capital contributions:

<u>Contributed To:</u>	<u>Amount of Capital Contribution:</u>	<u>Assets Contributed:</u>
Delaware County	\$13,919,314	Remainder of the Sawmill Parkway project consisting of all related interior roads and bridges and the Sanitary Sewer Project
DelCo	\$559,956	All water lines

The Authority also paid \$500,000 in cash to purchase land for Olentangy Local School District in 2002.

On November 18, 2002 and 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, 2001, 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 2001-001 through 2001-003.

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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 2001-001 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 28, 2004

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2001-001
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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	2001-002
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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.

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2001-003
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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.



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Betty Montgomery**

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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**