

New Albany Community Authority

Franklin County, Ohio

Regular Audit

January 1, 2004 through December 31, 2005

Fiscal Years Audited Under GAGAS: 2005 and 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

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, 2004 through December 31, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 13, 2006

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New Albany Community Authority
Table of Contents
For the Years Ended December 31, 2005 and 2004

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis.....	3 - 6
Basic Financial Statements	
Statement of Net Assets as of December 31, 2005	7
Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended December 31, 2005.....	8
Statement of Cash Flows for the Year Ended December 31, 2005.....	9
Statement of Net Assets as of December 31, 2004.....	10
Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended December 31, 2004.....	11
Statement of Cash Flows for the Year Ended December 31, 2004.....	12
Notes to the Financial Statements	13 - 22
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	23

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Ohio Society of Certified Public Accountants

Board of Trustees

New Albany Community Authority

8000 Walton Parkway, Suite 120

New Albany, Ohio 43054

Independent Auditor's Report

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, 2005 and 2004, 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 *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 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 opinions.

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 Authority, as of December 31, 2005 and 2004, 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 June 16, 2006, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
New Albany Community Authority
Independent Auditor's Report
Page 2

As described in Note 3 to the basic financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
June 16, 2006

New Albany Community Authority
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004

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, 2005 and 2004. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and 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 2005 and 2004 follow:

- Total assets increased \$16,248,071, or 92.8%, between 2004 and 2005 and \$1,004,330, or 6.1%, between 2003 and 2004. Total liabilities decreased \$2,304,054, or 3.3%, between 2004 and 2005 and \$2,289,345, or 3.1%, between 2003 and 2004. Total net assets increased \$18,552,125, or 34.9%, between 2004 and 2005 and \$3,293,675, or 5.8%, between 2003 and 2004.
- Total revenues increased \$15,173,024, or 225.5%, between 2004 and 2005 and \$913,981, or 16.0%, between 2003 and 2004. Total expenditures decreased \$85,426, or 2.5%, between 2004 and 2005 and \$271,341, or 7.3%, between 2003 and 2004.

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 changes 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.

New Albany Community Authority
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004

Table 1 provides a summary of the Authority's net assets for 2005 and 2004 compared to 2003.

Table 1
Net Assets

	2005	2004	2005/2004 Change	2003	2004/2003 Change
Assets					
Current and Other Assets	\$32,566,147	\$17,422,780	\$15,143,367	\$16,463,083	\$959,697
Capital Assets	<u>1,181,826</u>	<u>77,122</u>	<u>1,104,704</u>	<u>32,489</u>	<u>44,633</u>
Total Assets	<u>33,747,973</u>	<u>17,499,902</u>	<u>16,248,071</u>	<u>16,495,572</u>	<u>1,004,330</u>
Liabilities					
Other Liabilities	1,664,669	1,758,723	(94,054)	2,318,068	(559,345)
Long-Term Liabilities	<u>66,675,000</u>	<u>68,885,000</u>	<u>(2,210,000)</u>	<u>70,615,000</u>	<u>(1,730,000)</u>
Total Liabilities	<u>68,339,669</u>	<u>70,643,723</u>	<u>(2,304,054)</u>	<u>72,933,068</u>	<u>(2,289,345)</u>
Net Assets					
Invested in Capital Assets Net of Debt	1,181,826	77,122	1,104,704	32,489	44,633
Unrestricted	<u>(35,773,522)</u>	<u>(53,220,943)</u>	<u>17,447,421</u>	<u>(56,469,985)</u>	<u>3,249,042</u>
Total Net Assets	<u>(\$34,591,696)</u>	<u>(\$53,143,821)</u>	<u>\$18,552,125</u>	<u>(\$56,437,496)</u>	<u>\$3,293,675</u>

The increase in total assets between 2004 and 2005 was due largely to an increase in cash and equivalents (\$12.3 million) related to the monies received for the construction of the Performing Arts Center, an increase in cash with fiscal and escrow agents (\$3.4 million) as increased reserves related to debt covenants, and an increase in capital assets (\$1.1 million) as construction in progress additions. The decrease in liabilities between 2004 and 2005 was due to principal payments on outstanding bonds (\$2.2 million) and a decrease in unearned income (\$0.09 million). Invested in capital assets net of debt increased between 2004 and 2005 due to construction in progress additions (\$1.1 million).

The increase in total assets between 2003 and 2004 was due to an increase in cash with fiscal and escrow agents (\$1.1 million) as increased reserves related to debt covenants. The decrease in liabilities between 2003 and 2004 was due to principal payments on outstanding bonds (\$1.7 million), a decrease in accounts payable (\$0.4 million), and a decrease in unearned income (\$0.09 million). Invested in capital assets net of debt increased between 2003 and 2004 due to construction in progress additions net of deletions (\$0.04 million).

New Albany Community Authority
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004

Table 2 provides a summary of changes in the Authority's net assets for 2005 and 2004 as well as revenue and expense comparison to 2003.

Table 2
Changes in Net Assets

	2005	2004	2005/2004 Change	2003	2004/2003 Change
<i>Revenues</i>					
<i>Operating Revenue</i>					
Community development charge	\$3,832,243	\$3,743,368	\$88,875	\$3,662,389	\$80,979
Lease interest income	85,013	89,513	(4,500)	93,433	(3,920)
Village of New Albany income tax	4,508,139	2,860,210	1,647,929	2,026,850	833,360
<i>Total operating revenue</i>	<u>8,425,395</u>	<u>6,693,091</u>	<u>1,732,304</u>	<u>5,782,672</u>	<u>910,419</u>
<i>Non-operating revenue</i>					
Capital Grants – Performing Arts Center	13,000,000	0	13,000,000	0	0
Interest income	445,809	35,584	410,225	32,022	3,562
Unrealized income – Performing Arts Center	30,495	0	30,495	0	0
<i>Total non-operating revenue</i>	<u>13,476,304</u>	<u>35,584</u>	<u>13,440,720</u>	<u>32,022</u>	<u>3,562</u>
<i>Total revenue</i>	<u>21,901,699</u>	<u>6,728,675</u>	<u>15,173,024</u>	<u>5,814,694</u>	<u>913,981</u>
<i>Expenses</i>					
<i>Operating expenses</i>					
Advertising	61	366	(305)	62	304
Bank charges	76	0	76	0	0
Insurance	5,621	4,264	1,357	4,904	(640)
Accounting fees	15,076	8,393	6,683	21,920	(13,527)
Legal fees	10,359	12,242	(1,883)	27,062	(14,820)
Professional fees	3,931	8,600	(4,669)	0	8,600
Bond trustee fees	39,723	34,527	5,196	38,469	(3,942)
Remarketing fees	40,299	0	40,299	0	0
Amortization	63,774	305,485	(241,711)	62,727	242,758
Letter of credit fees	111,483	125,835	(14,352)	150,186	(24,351)
<i>Total operating expenses</i>	<u>290,403</u>	<u>499,712</u>	<u>(209,309)</u>	<u>305,330</u>	<u>194,382</u>
<i>Non-operating expenses</i>					
Interest expense	3,059,171	2,935,288	123,883	2,940,003	(4,715)
Donation of assets	0	0	0	461,008	(461,008)
<i>Total non-operating expenses</i>	<u>3,059,171</u>	<u>2,935,288</u>	<u>128,883</u>	<u>3,401,011</u>	<u>(465,723)</u>
<i>Total expenses</i>	<u>3,349,574</u>	<u>3,435,000</u>	<u>(85,426)</u>	<u>3,706,341</u>	<u>(271,341)</u>
<i>Change in net assets</i>	18,552,125	3,293,675	15,258,450	2,108,353	1,185,322
<i>Beginning net assets</i>	<u>(53,143,821)</u>	<u>(56,437,496)</u>	<u>3,293,672</u>	<u>(58,545,849)</u>	<u>2,108,353</u>
<i>Ending net assets</i>	<u>(\$34,591,696)</u>	<u>(\$53,143,821)</u>	<u>\$18,552,122</u>	<u>(\$56,437,496)</u>	<u>\$3,293,675</u>

The increase in total revenues between 2004 and 2005 was due largely to an increase in income taxes (\$1.6 million), capital grants (\$13.0 million), and interest (\$0.4 million). The decrease in total expenses between 2004 and 2005 was due largely to the decrease in amortization (\$0.2 million) and the increases in interest expense (\$0.1 million) and remarketing fees (\$0.04 million).

New Albany Community Authority
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004

The increase in total revenues between 2003 and 2004 was due largely to an increase in community development charges (\$0.08 million) and income taxes (\$0.8 million). The decrease in total expenses between 2003 and 2004 was due largely to the increase in amortization (\$0.2 million) and the decrease in donation of assets (\$0.4 million).

Capital Assets

At December 31, 2005 and 2004, the capital assets of the Authority consisted of construction in progress. Balances were \$1,181,826 and \$77,122 at December 31, 2005 and 2004, respectively. See Note 8 of the notes to the basic financial statements for more detailed information on the Authority's capital assets.

Debt Administration

The Authority finances construction in progress primarily through the issuance of bonds. At December 31, 2005 and 2004, debt outstanding was \$66,675,000 and \$68,885,000, respectively. See Note 11 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, 2005

Assets:

Cash and cash equivalents	\$14,105,900
Cash with fiscal and escrow agents	11,258,631
Community development charge receivable	3,826,998
Income tax receivable	193,272
Lease receivable	1,888,027
Infrastructure reimbursement receivable	79,874
Unamortized financing costs	1,213,445
Non-depreciable capital assets	<u>1,181,826</u>

Total assets: \$33,747,973

Liabilities:

Current liabilities:

Contracts payable	\$11,504
Accounts payable	220,940
Interest payable	899,198
Unearned income	<u>533,027</u>

Total current liabilities: 1,664,669

Long term liabilities:

Due within one year	1,860,000
Due in more than one year	<u>64,815,000</u>

Total long term liabilities: 66,675,000

Total liabilities: 68,339,669

Net Assets:

Invested in capital assets net of related debt	1,181,826
Unrestricted net assets	<u>(35,773,522)</u>

Total net assets: (\$34,591,696)

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2005

Operating revenues:

Community development charge	\$3,832,243
Lease interest income	85,013
Village of New Albany income tax	<u>4,508,139</u>

Total operating revenues: 8,425,395

Operating expenses:

Advertising	61
Bank charges	76
Insurance	5,621
Accounting fees	15,076
Legal fees	10,359
Professional fees	3,931
Bond trustee fees	39,723
Remarketing fees	40,299
Amortization	63,774
Letter of credit fees	<u>111,483</u>

Total operating expenses: 290,403

Operating income: 8,134,992

Non-operating revenues/(expenses):

Capital Grants - Performing Arts Center	13,000,000
Interest income	445,809
Unrealized income - Performing Arts Center	30,495
Interest expense	<u>(3,059,171)</u>

Total non-operating revenues/(expenses): 10,417,133

Net income: 18,552,125

Net assets at beginning of year (53,143,821)

Net assets at end of year (\$34,591,696)

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Cash Flows
For the Year Ended December 31, 2005

Increase/(decrease) in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from community development charge	\$3,718,117
Cash received from village income tax	4,746,827
Cash received from lease	170,013
Cash payments for administrative expenses	(66,149)
Cash payments for letter of credit fees	<u>(111,483)</u>
Net cash provided by operating activities:	8,457,325
Cash flows from capital and related financing activities:	
Cash received for capital grants - Performing Arts Center	13,000,000
Cash payments for debt service interest	(3,053,434)
Cash payments for debt service principal	(2,210,000)
Acquisition and construction of capital assets	<u>(878,199)</u>
Net cash provided by capital and related financing activities:	6,858,367
Cash flows from investing activities:	
Interest	<u>445,809</u>
Net cash provided by investing activities:	<u>445,809</u>
Net increase in cash and cash equivalents:	15,761,501
Cash and cash equivalents at beginning of year	<u>9,603,030</u>
Cash and cash equivalents at end of year	<u><u>\$25,364,531</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$8,134,992
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Amortization	63,774
Changes in assets and liabilities:	
(Increase)/decrease in community development charge receivable	(114,126)
(Increase)/decrease in income tax receivable	238,688
(Increase)/decrease in lease receivable	170,013
(Increase)/decrease in unamortized financing costs	63,775
Increase/(decrease) in contracts payable	(2,124)
Increase/(decrease) in accounts payable	(12,654)
Increase/(decrease) in unearned income	<u>(85,013)</u>
Net cash provided by operating activities:	<u><u>\$8,457,325</u></u>

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Net Assets
December 31, 2004

Assets:

Cash and cash equivalents	\$1,758,042
Cash with fiscal and escrow agents	7,844,988
Community development charge receivable	3,712,872
Income tax receivable	431,960
Lease receivable	2,058,040
Infrastructure reimbursement receivable	339,658
Unamortized financing costs	1,277,220
Non-depreciable capital assets	<u>77,122</u>

Total assets: \$17,499,902

Liabilities:

Current liabilities:

Contracts payable	\$13,628
Accounts payable	233,594
Interest payable	893,461
Unearned income	<u>618,040</u>

Total current liabilities: 1,758,723

Long term liabilities:

Due within one year	2,210,000
Due in more than one year	<u>66,675,000</u>

Total long term liabilities: 68,885,000

Total liabilities: 70,643,723

Net assets:

Invested in capital assets net of related debt	77,122
Unrestricted net assets	<u>(53,220,943)</u>

Total net assets: (\$53,143,821)

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2004

Operating revenues:

Community development charge	\$3,743,368
Lease interest income	89,513
Village of New Albany income tax	<u>2,860,210</u>

Total operating revenues: 6,693,091

Operating expenses:

Advertising	366
Insurance	4,264
Accounting fees	8,393
Legal fees	12,242
Professional fees	8,600
Bond trustee fees	34,527
Amortization	305,485
Letter of credit fees	<u>125,835</u>

Total operating expenses: 499,712

Operating income: 6,193,379

Non-operating revenues/(expenses):

Interest income	35,584
Interest expense	<u>(2,935,288)</u>

Total non-operating revenues/(expenses): (2,899,704)

Net income: 3,293,675

Net assets at beginning of year (56,437,496)

Net assets at end of year (\$53,143,821)

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Cash Flows
For the Year Ended December 31, 2004

Increase/(decrease) in cash and cash equivalents

Cash flows from operating activities:

Cash received from community development charge	\$3,723,762
Cash received from village income tax	2,836,359
Cash received from lease	169,513
Cash payments for administrative expenses	(459,604)
Cash payments for letter of credit fees	(125,835)
	6,144,195

Net cash provided by operating activities: 6,144,195

Cash flows from capital and related financing activities:

Cash payments for debt service principal	(1,730,000)
Cash payments for debt service interest	(2,939,200)
Acquisition and construction of capital assets	(409,276)
	(5,078,476)

Net cash provided by capital and related financing activities: (5,078,476)

Cash flows from investing activities:

Interest	35,584
	35,584

Net cash provided by investing activities: 35,584

Net increase in cash and cash equivalents: 1,101,303

Cash and cash equivalents at beginning of year 8,501,727

Cash and cash equivalents at end of year \$9,603,030

Reconciliation of operating income to net cash provided by operating activities:

Operating income \$6,193,379

Adjustments to reconcile operating loss to net cash provided by operating activities:

Amortization 305,485

Changes in assets and liabilities:

(Increase)/decrease in community development charge receivable	(19,606)
(Increase)/decrease in income tax receivable	(23,851)
(Increase)/decrease in lease receivable	169,513
(Increase)/decrease in unamortized financing costs	74,708
Increase/(decrease) in contracts payable	(18,861)
Increase/(decrease) in accounts payable	(447,059)
Increase/(decrease) in unearned income	(89,513)
	(89,513)

Net cash provided by operating activities: \$6,144,195

See accompanying notes to the financial statements.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

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.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

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. Capital Assets (Construction in Progress)

Fixed assets are capitalized at cost. The Authority acquires and/or constructs on behalf of the Village of New Albany, Plain Township, Plain Local School District, and/or other political subdivisions. When these assets are placed in service by the respective political subdivision, the Authority removes the construction in progress and records the donation as an expense.

Depreciation: The Authority does not record depreciation on any assets. Assets are only held by the Authority until they are placed into service.

Capitalization of Interest: Interest is capitalized on assets acquired and/or constructed 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 of the same period. Capitalized interest would be expensed as part of the asset when it is donated or amortized on the straight line basis over the estimated useful life of the asset. For 2005 and 2004, the net interest expense incurred on Authority construction projects was insignificant.

D. 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-CHANGE IN ACCOUNTING PRINCIPLES

For the years ended December 31, 2005 and 2004, the Authority has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Interpretation No. 6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, and GASB Statement No. 40, *Deposits and Investment Risk Disclosures*. No restatement of beginning net asset balance was necessary as a result of the implementation of these new pronouncements.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 4-ACCUMULATED DEFICIT

At December 31, 2005 and 2004, the Authority has an accumulated deficit of \$35,773,522 and \$53,220,943, 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 11 for further discussion of debt repayment.

NOTE 5-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 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.

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;

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 5-CASH AND CASH EQUIVALENTS (continued)

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

Deposits

At year end December 31, 2005 and 2004, the carrying amounts of the Authority's deposits were \$2,894,493 and \$1,758,042, respectively. The bank balances were \$2,894,493 and \$1,773,747, respectively. The total bank balances were federally insured up to \$100,000 and the remaining balances were either collateralized by investments held by a third party trustee not in the name of the Authority or were uninsured and uncollateralized.

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.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 5-CASH AND CASH EQUIVALENTS (continued)

	Category 1	Category 2	Carrying/Fair Value	Weighted Average Maturity (Years)
	<u>1</u>	<u>2</u>	<u>Value</u>	
2005				
Money Market	\$0	\$11,258,631	\$11,258,631	< 1 year
Federal Home Loan Mortgage Corporation	1,220,206	0	1,220,206	< 1 year
Federal National Mortgage Association	<u>9,991,201</u>	<u>0</u>	<u>9,991,201</u>	< 1 year
Total	<u>\$11,211,407</u>	<u>\$11,258,631</u>	<u>\$22,470,038</u>	
2004				
Money Market	<u>\$0</u>	<u>\$7,844,988</u>	<u>\$7,844,988</u>	

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 its 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 money market accounts and U.S. Government Securities. Investments in U.S. Government Securities were rated AAA by Standard and Poor’s.

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. The Authority has invested 50% of its investments in U.S. Government Securities and 50% in money market accounts.

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. For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. 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 6-CASH WITH FISCAL AND ESCROW AGENTS

At year end December 31, 2005 and 2004, the carrying amounts of the Authority’s cash with fiscal and escrow agents were \$11,258,631 and \$7,844,988, respectively. These amounts are held in escrow for projects funded by bond issuances. These funds are held in U.S. Treasury Money Market Funds held by the Trustees.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 7-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 5.5 mills and 6.5 mills for 2005 and 2004, 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 2005 and 2004 assessed values of all property within the District were \$695,808,653 and \$571,787,531, respectively. The 2005 and 2004 receivables recognized based on these figures were \$3,826,998 and \$3,712,872, respectively.

NOTE 8-CAPITAL ASSETS

Changes in construction in progress during 2004 were as follows:

<u>Construction in Progress</u>	Balance at 12/31/03	Additions	Transfers	Balance at 12/31/04
Central College	\$32,489	\$44,633	\$0	\$77,122
Blacklick/Oakgrove	0	447,846	447,846	0
Total	<u>\$32,489</u>	<u>\$492,479</u>	<u>\$447,846</u>	<u>\$77,122</u>

Changes in construction in progress during 2005 were as follows:

<u>Construction in Progress</u>	Balance at 12/31/04	Additions	Transfers	Balance at 12/31/05
Central College	\$77,122	\$31,313	\$2,394	\$106,041
Performing Arts Center	0	1,075,785	0	1,075,785
Total	<u>\$77,122</u>	<u>\$1,107,098</u>	<u>\$2,394</u>	<u>\$1,181,826</u>

NOTE 9-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.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 9-DIRECT FINANCING LEASE (continued)

The amortization of the lease payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$90,000	\$80,232	\$170,232
2007	95,000	75,169	170,169
2008	100,000	69,826	169,826
2009	110,000	64,200	174,200
2010	115,000	57,600	172,600
2011-2015	685,000	176,400	861,400
2016-2020	160,000	9,600	169,600
Total	<u>\$1,355,000</u>	<u>\$533,027</u>	<u>\$1,888,027</u>

NOTE 10-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 800 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 11-DEBT

Changes in the Authority's long-term liabilities during 2005 and 2004 consisted of the following:

	<u>Outstanding</u>			<u>Outstanding</u>	<u>Amounts</u>
	<u>12/31/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2005</u>	<u>Due Within</u>
					<u>One Year</u>
Community Facilities Refunding Bonds, Series B, 2001, \$52,965,000, 3-5.5%	\$51,345,000	\$0	\$1,125,000	\$50,220,000	\$1,270,000
Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series C, \$16,100,000, 2-4%	16,100,000	0	\$1,000,000	15,100,000	500,000
Wellness Center Revenue Bonds, 1996, \$2,000,000, 4-6%	1,440,000	0	85,000	1,355,000	90,000
Total	<u>\$68,885,000</u>	<u>\$0</u>	<u>\$2,210,000</u>	<u>\$66,675,000</u>	<u>\$1,860,000</u>

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 11-DEBT (continued)

	Outstanding 12/31/2003	Additions	Reductions	Outstanding 12/31/2004	Amounts Due Within One Year
Community Facilities Refunding Bonds, Series B, 2001, \$52,965,000, 3-5.5%	\$52,395,000	\$0	\$1,050,000	\$51,345,000	\$1,125,000
Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series B, \$16,700,000, variable	16,700,000	0	16,700,000	0	0
Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series C, \$16,100,000, 2-4%	0	16,100,000	0	16,100,000	1,000,000
Wellness Center Revenue Bonds, 1996, \$2,000,000, 4-6%	1,520,000	0	80,000	1,440,000	85,000
Total	<u>\$55,585,000</u>	<u>\$16,100,000</u>	<u>\$17,830,000</u>	<u>\$68,885,000</u>	<u>\$2,210,000</u>

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 equal amounts of bond proceeds and a letter of credit from Bank One, N.A.

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 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. 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 also has as credit and liquidity support for the bonds an irrevocable standby letter of credit in the amount of \$16,219,979 with Key Bank.

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 11-DEBT (continued)

Long-term debt requirements for the Community Facilities Refunding Bonds as of December 31, 2005 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$1,270,000	\$2,567,984	\$3,837,984
2007	1,335,000	2,517,784	3,852,784
2008	1,430,000	2,463,784	3,893,784
2009	1,690,000	2,403,724	4,093,724
2010	1,775,000	2,319,224	4,094,224
2011-2015	10,705,000	10,172,878	20,877,878
2016-2020	14,285,000	6,908,236	21,193,236
2021-2025	17,730,000	2,576,736	20,306,736
Total	<u>\$50,220,000</u>	<u>\$31,930,350</u>	<u>\$82,150,350</u>

Long-term debt requirements for the Wellness Center Revenue Bonds as of December 31, 2005 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$90,000	\$80,232	\$170,232
2007	95,000	75,169	170,169
2008	100,000	69,826	169,826
2009	110,000	64,200	174,200
2010	115,000	57,600	172,600
2011-2015	685,000	176,400	861,400
2016-2020	160,000	9,600	169,600
Total	<u>\$1,355,000</u>	<u>\$533,027</u>	<u>\$1,888,027</u>

Long-term debt requirements for the Multi-Purpose Infrastructure Improvement Bonds as of December 31, 2005 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$500,000	\$604,000	\$1,104,000
2007	500,000	584,000	1,084,000
2008	600,000	564,000	1,164,000
2009	600,000	540,000	1,140,000
2010	600,000	516,000	1,116,000
2011-2015	3,300,000	2,208,000	5,508,000
2016-2020	4,100,000	1,492,000	5,592,000
2021-2025	4,900,000	596,000	5,496,000
Total	<u>\$15,100,000</u>	<u>\$7,104,000</u>	<u>\$22,204,000</u>

New Albany Community Authority
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

NOTE 12-PERFORMING ARTS CENTER

In January 2005, the Authority entered into an agreement with the Village of New Albany, Plain Township, Plain Local School District, and the New Albany Community Foundation to construct the Performing Arts Center in the Village of New Albany. In February 2005, the Authority received \$13 million (\$5 million from Plain Local School District and \$8 million from the Village of New Albany and Plain Township) for project costs. As of December 31, 2005, the Authority had expended \$1,075,785 toward this project, recognized as construction in progress in the Authority's records. The project is expected to be completed in 2007.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the business-type activities of the New Albany Community Authority, Franklin County, Ohio, (the Authority) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 16, 2006, in which we indicated the Authority implemented GASB Statements No. 34, 37, 38, 40, and GASB Interpretation No. 6. 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.

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 an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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



Balestra, Harr & Scherer, CPAs, Inc.
June 16, 2006



**Auditor of State
Betty Montgomery**

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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
SEPTEMBER 26, 2006**