

POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
Delaware County

Financial Statements and
Independent Auditor's Reports

For the Fiscal Years Ended
December 31, 2012 and 2011





Dave Yost • Auditor of State

Board of Trustees
Powell Community Infrastructure Financing Authority
585 South Front Street
Suite 220
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Powell Community Infrastructure Financing Authority, Delaware County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2011 through December 31, 2012. 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 Powell Community Infrastructure Financing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Robert R. Hinkle".

Robert R. Hinkle, CPA
Chief Deputy Auditor

October 9, 2013

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**POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Powell Community Infrastructure Financing Authority
Delaware County
585 South Front Street, Suite 220
Columbus, Ohio 432145

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Powell Community Infrastructure Financing Authority, Delaware County, Ohio (the Authority), as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing those risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Powell Community Infrastructure Financing Authority, Delaware County as of December 31, 2012 and December 31, 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 13 to the financial statements, the 2010 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include a *Management's discussion and analysis* to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2013, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Kennedy Cottrell Richards LLC
July 19, 2013

**POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2012 AND 2011
(UNAUDITED)**

The management's discussion and analysis of the Powell Community Infrastructure Financing Authority, Delaware, Ohio, (the Authority), financial performance provides an overall review of the Authority's financial activities for the fiscal years ended December 31, 2012 and 2011. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority encourages the orderly development of a well-planned, diversified community of approximately 105 acres in Delaware County, including the City of Powell.
2. Net Position at December 31, 2012 and 2011 totaled a negative \$2,950,298 and \$2,979,882, respectively. The negative Net Position balance is caused by the costs incurred for capital assets acquired and improved, which were donated upon completion.
3. The Authority's debt increased in fiscal year 2012 by \$ 65,317 and decreased in fiscal year 2011 by \$96,890. The Authority's debt will be paid through the collection of community development charges imposed on the residences benefiting from the capital asset. In 2012, the Authority refinanced all of its long-term debt.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority's financial activities and financial position. The *Statement of Net Position* and *Statement of Revenues, Expenses, and Changes in Net Position* provide information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Position. The Statement of Net Position represents the financial position of the Authority. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These financials look at all financial transactions and asks the question, how did we do financially? The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position answer this question. These statements include *all assets, liabilities, revenues, and expenses* using the *accrual basis of accounting*, similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2012 AND 2011
(UNAUDITED)
(Continued)**

These two statements report the Authority's *net position* and changes in those assets. This change in net position is important because it tells the reader that, for the Authority as a whole, the *financial position* of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 9 of this report.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis

Table 1 provides a summary of Authority's net position for fiscal years 2012, 2011 and 2010.

Table 1
Net Position

	<u>2012</u>	<u>2011</u>	<u>2010</u> (Restated)
Assets:			
Current Assets	\$ <u>422,226</u>	\$ <u>449,972</u>	\$ <u>526,416</u>
Total Assets	426,032	340,070	526,416
Liabilities:			
Current Liabilities	103,057	145,368	149,585
Long Term Liabilities	<u>3,035,000</u>	<u>3,064,683</u>	<u>3,161,573</u>
Total Liabilities	3,138,057	3,210,051	3,311,158
Total Deferred Inflows of Resources	<u>234,467</u>	<u>219,803</u>	<u>270,254</u>
Net Position:			
Unrestricted – (Deficit)	<u>(2,950,298)</u>	<u>(2,979,882)</u>	<u>(3,054,996)</u>
Total Net Position – (Deficit)	<u>\$(2,950,298)</u>	<u>\$(2,979,882)</u>	<u>\$(3,054,996)</u>

Net Position: Net position represents the difference between assets and liabilities and deferred inflows and resources. The Authority had net positions of negative \$2,950,298 in 2012 and a negative \$2,979,882 in 2011

Table 2 reflects the changes in net positions for fiscal years 2012, 2011, and 2010.

**POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2012 AND 2011
(UNAUDITED)
(Continued)**

Table 2
Change in Net Positions

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenue	\$230,645	\$256,094	\$246,618
Operating Expenses			
Financial Management Services	14,011	11,635	10,919
Legal Fees	17,475	5,909	5,681
Auditor Expense	-	16,401	-
Bank Fees	333	447	262
Insurance	2,823	2,245	2,564
Other Expense	-	-	117
Board Meeting Expense	<u>600</u>	<u>400</u>	<u>700</u>
Total Operating Expenses	<u>35,242</u>	<u>37,037</u>	<u>20,243</u>
Operating Income	195,403	219,057	226,375
Earnings on Investments	33	58	32
Interest Expense	(102,994)	(144,001)	(149,010)
Debt Finance Issuance Costs	<u>(62,857)</u>	-	-
Total Non-Operating (Expenses)	<u>(165,819)</u>	<u>(143,943)</u>	<u>(148,978)</u>
Change in Net Position	<u>\$ 29,584</u>	<u>\$ 75,114</u>	<u>\$ 77,397</u>

Change in Net Positions: The Authority had an increase in net position in 2012, 2011 and 2010. An increase in net position occurred in each year even though there has been a decline in community development charge revenues for 2012. Revenues decreased by \$25,449 in 2012 and increased by \$9,476 in 2011. The reduction in community development charge revenues in 2012 is attributed to the declining real estate values and property owners requesting revisions to their property's assessed value. However, reductions in revenues have been offset to a large degree by the reduction in interest expenses on the developer bonds. Accordingly, the Authority's interest expense cost decreased by \$41,004 in 2012 and by \$5,009 in 2011.

Revenue from Community Development Charges paid by each owner of a chargeable parcel will be used to pay off the debt incurred to acquire and construct infrastructure asset. The Community Development Charge is calculated on thirty-five percent of the assessed value of chargeable property, which includes buildings, structures, and improvements.

**POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2012 AND 2011
(UNAUDITED)
(Continued)**

Budgeting

The Authority is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets

All infrastructure assets have been transferred to the City of Powell and the Authority has no other capital assets.

Debt

On April 23, 2012, the City of Powell issued the Infrastructure Acquisition Bonds to refinance the existing debt issues called the Community Facilities Adjustable Rate Notes, which were initially issued in 2002 and 2005. The Authority retired the Community Facilities Adjustable Rate Notes with the Infrastructure Acquisition Bonds which have an average interest rate 3.24% and a maximum term of over 24 years. The debt service will continued to be paid annually by the revenue received from the Community Development Charges.

Current Issues

Construction of the Powell Authority Infrastructure has been completed. The Traditions of Powell which was added to the Powell Authority during 2005 consists of both residential and commercial property. The residential portion has been completed, and all units have been sold. One of the 2 commercial sites has been developed. Murphy Park is in the process of being fully developed with the last of remaining single homes under construction.

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to John Parns, Treasurer, Powell Community Infrastructure Financing Authority, 585 South Front Street, Suite 220, Columbus, Ohio 43215.

Powell Community Infrastructure Financing Authority
Delaware County
Statements of Net Position
As of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalent	\$ 184,060	\$ 221,600
Other assets	-	1,299
Community charge receivable	238,166	227,073
Total Current Assets	<u>422,226</u>	<u>449,972</u>
Total Assets	<u>\$ 422,226</u>	<u>\$ 449,972</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,260	\$ 1,367
Accrued interest	6,797	144,001
Intergovernmental debt - current portion	95,000	-
Total Current Liabilities	103,057	145,368
Non-Current Liabilities		
Notes payables	-	3,064,683
Intergovernmental debt	3,035,000	-
Total Non-Current Liabilities	<u>3,035,000</u>	<u>3,064,683</u>
Total Liabilities	3,138,057	3,210,051
Deferred Inflows of Resources		
Unearned revenues	234,467	219,803
Total Deferred Inflows of Resources	<u>234,467</u>	<u>219,803</u>
NET POSITION		
Unrestricted net position - (Deficit)	<u>\$ (2,950,298)</u>	<u>\$ (2,979,882)</u>
Total Net Position	<u>\$ (2,950,298)</u>	<u>\$ (2,979,882)</u>

See notes to the financial statements

**Powell Community Infrastructure Financing Authority
Delaware County
Statements of Revenues, Expenses and Changes in Net Position
For The Years Ended December 31, 2012 and 2011**

OPERATING REVENUES	<u>2012</u>	<u>2011</u>
Operating Revenues		
Community development income	\$ 230,645	\$ 256,094
	<hr/>	<hr/>
Total Operating Revenues	230,645	256,094
OPERATING EXPENSE		
Operating Expense		
Financial management services	14,011	11,635
Legal fees	17,475	5,909
Auditor expenses	-	16,401
Bank fees	333	447
Insurance	2,823	2,245
Board meeting expense	600	400
	<hr/>	<hr/>
Total Operating Expense	35,242	37,037
Operating Income	195,403	219,057
Non-Operating Revenue (Expense)		
Other Revenue		
Interest income	33	58
Interest expense	(102,994)	(144,001)
Debt finance issuance costs	(62,858)	-
	<hr/>	<hr/>
Total Non-Operating Revenue (Expense)	(165,819)	(143,943)
Change in Net Position	29,584	75,114
Beginning Net Position - restated for 2011 (see note 13)	<u>(2,979,882)</u>	<u>(3,054,996)</u>
Ending Net Position	<u>\$ (2,950,298)</u>	<u>\$ (2,979,882)</u>

See notes to the financial statements.

Powell Community Infrastructure Financing Authority
Delaware County
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Cash received from community development charges	\$ 234,216	\$ 251,018
Cash payments for financial management services	(13,919)	(11,164)
Cash payments for legal fees	(16,857)	(6,661)
Cash payments for audit fees	-	(16,491)
Cash payments for insurance	(2,141)	(3,206)
Cash payments for other expenses	(533)	(447)
Cash payments for board meeting expense	(600)	(200)
Net Cash Provided by Operating Activities	<u>200,166</u>	<u>212,849</u>
Cash Flows From Investing Activities		
Cash received from interest and dividends	33	58
Cash Flows From Financing Activities		
Payment of bond principal	(3,064,683)	(96,890)
Proceeds from intergovernmental borrowing	3,117,304	
Payment of interest costs on notes	(192,016)	(149,010)
Payment of intergovernment debt closing costs	(52,621)	
Payment of interest on intergovernment debt	(45,723)	
Net Cash Used in Financing Activities	<u>(237,739)</u>	<u>(245,900)</u>
Net Change in Cash	(37,540)	(32,993)
Cash, Beginning of year	221,600	254,593
Cash, End of year	<u>\$ 184,060</u>	<u>\$ 221,600</u>
Reconciliation of Operating Gain to Net Cash Provided by Operating Activities		
Operating income	\$ 195,403	\$ 219,057
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:		
Change in other assets	1,299	(1,299)
Change in community development receivable	3,571	(5,076)
Change in accounts payable	(107)	167
Net Cash Provided by Operating Activities	<u>\$ 200,166</u>	<u>\$ 212,849</u>

See notes to the financial statements.

**Powell Community Infrastructure
Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

NOTE 1 - REPORTING ENTITY

The Powell 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 May 11, 2001, 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, and the Petition was accepted by a resolution of the Board on May 31, 2001. 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. The Petition was adopted by Resolution No. 01-681 on June 25, 2001.

By its Resolution, the County Commissioners determined that the new community authority 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 was organized as a body corporate and politic in the State.

By law the Authority is governed by a seven member board of trustees. During the years ended December 31, 2012 and 2011, only four board positions were filled. At inception, the Board of County Commissioners of Delaware County appointed four of the trustees and the remaining three trustees were appointed by the Developer. All appointed trustees have since been replaced by elected citizen members who are residents of the community authority.

The new community authority is comprised of approximately 98 acres of land located in the City of Powell, Delaware County, Ohio. The 98 acres of land is generally bounded by the Grandshire Subdivision to the south, Powell Road to the north, Old Sawmill road to the west, and CSX Transportation to the east. It also includes the addition of approximately 7 acres, known as Traditions of Powell, by resolution in 2005. It consists of a 40-unit condominium community and 2 commercial lots located in Powell, Ohio within the boundaries of West Olentangy Street, Case Avenue and Lincoln Street. The entire project includes the construction of waterline, sanitary sewer, main line sanitary sewer, storm sewer, bike path, roads and street improvements.

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 Authority. 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.

A. Basis of Presentation

The Authority's basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. The Authority uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

**Powell Community Infrastructure
Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Measurement Focus and the Basis of Accounting

The Authority's financial activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of Authority are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the Authority finances and meets its cash flow needs.

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.

GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB's authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the Authority.

GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of this statement changed the classification of certain deferred inflows of resources. It also changed the description of the equity section of the statement to reflect net position.

GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities properly classifies certain items previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. GASB 65 also recognizes certain items previously reported as assets or liabilities as deferred outflows of resources (expenses or expenditures) or deferred inflows of resources (revenues). For the year ended December 31, 2013, the Authority early adopted the provision of GASB 65 and expensed debt finance closing cost totaling \$62,858 in the statement of revenues, expenses and changes in net position.

C. Cash and Investments

Amounts on deposit in a checking account with Huntington National Bank and investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

D. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Authority does not maintain a capitalization threshold. Infrastructure assets acquired or constructed by the Authority are capitalized; however, the Authority does not depreciate capital assets as all assets are donated to other governments upon acquisition/completion.

**Powell Community Infrastructure
Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net positions are available. The Authority did not have any restricted net position at fiscal years end 2012 and 2011.

F. 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 Authority. All revenues and expenses not meeting this definition are reported as non-operating.

G. 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.

H. Subsequent Events

The Authority has evaluated subsequent events for potential recognition and/or disclosures through July 19, 2013, the date the financial statements were available to be issued.

NOTE 3 - ACCUMULATED DEFICIT OF NET POSITION

At December 31, 2012 and 2011, the Authority has an accumulated deficit of net position of \$2,950,298 and \$2,979,882, 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 incurred the costs of constructing community facilities. The titles to these assets have been transferred to the community with the related costs recorded as a capital contribution expense to the receiving entity. This deficit will be reduced and eliminated as outstanding debt is paid with, primarily, future community development charges.

**Powell Community Infrastructure
Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

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 withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. 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 statutes permits interim monies to be deposited or invested in a variety of securities and investments including US 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.

Statement No. 3 as amended by Statement No. 40 of the Governmental Accounting Standards Board requires the Authority to disclose essential risk information about deposits and investments. The disclosure requirements cover four main areas: credit risk, interest rate and investment maturity, interest rate sensitivity and foreign exchange exposure.

Deposits

Custodial Credit Risk – Deposits. The carrying amount of the Authority's deposits at December 31, 2012 and 2011 were \$10,550 and \$403, respectively. The bank balances were the same as the carrying values for both years. The Authority's deposits are protected only up to amounts covered by the Federal Depository Insurance Corporation (FDIC). The Authority had no deposits at fiscal years 2012 and 2011 in excess of the FDIC insurance levels.

Investments

The Authority's only investments consisted of money market funds. At fiscal years ended 2012 and 2011, the Authority's investment balances were \$173,510 and \$221,197, respectively. These amounts are considered cash equivalents and are reflected as cash on the statements of net position.

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

Credit Risk. Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Authority does not have a policy to limit its exposure to credit risk. The Authority's money market funds were not rated.

**Powell Community Infrastructure
Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

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 authority. The charge is currently levied at 10.25 mills. Charge revenue recognized represents the amount levied and payable during the current year.

Charge assessments are levied in December on assessed values as of January 1, the lien date. 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 based on the County Auditor's appraisal, lot values, or a calculated cost for occupied homes that have not yet been appraised by the Delaware County Auditor. Amounts assessed and due but not collected, are reflected as both a receivable and unearned revenue on the statement of net position. For the years ended December 31, 2012 and 2011, the amount recorded as a receivable and unearned revenue was \$234,467 and \$219,803, respectively.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2012 and 2011 consisted of community development charges. All receivables are considered collectible in full within one year.

NOTE 7 – CAPITAL ASSETS

There were no capital assets for the years ending December 31, 2012 and 2011.

NOTE 8 – RISK POOL MEMBERSHIP

The Authority belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**Powell Community Infrastructure
Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

NOTE 8 – RISK POOL MEMBERSHIP - CONTINUED

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010. You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

	2011	2010
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members' Equity	\$7,172,519	\$7,191,485

NOTE 9 - LONG-TERM OBLIGATIONS

The Authority's long-term obligations activity for the years ended December 31, 2012 and 2011 was as follows:

Community Facilities Adjustable Rate Note, Series 2002

Community Facilities Adjustable Rate Note – Series 2002	Balance January 1	Additions	Reductions	Balance December 31
Year:				
2011	\$2,644,267	\$0	\$90,000	\$2,554,267
2012	\$2,554,267	\$0	\$2,554,267	\$0

On January 16, 2002, the Authority issued \$2,500,000 in Community Facilities Adjustable Rate Notes which were issued for the purpose of providing funds to acquire and construct community facilities and to develop land in connection with the same. Triangle Properties Inc., (the Developer), is the registered owner of the notes.

The proceeds of the notes were used to finance Community Facilities, including the extension of Murphy Parkway and Gray Oaks Boulevard, a sewer line and a water line.

The community development charges are pledged for repayment. The Financing Authority expects that all of the debt service on the notes will be paid from these revenues. An "Infrastructure Acquisition and Construction Agreement" entered into between the Financing Authority and Developer required the Financing Authority to "draw" from the principal of the note by delivering to the Developer a "Drawing Certificate." The Developer then was required to make an entry on the "Schedule of Advances and Payments" reflecting the amount drawn and the then outstanding principal balance. Unpaid interest, which is added to the principal amount of the note shall be entered on the "Schedule of Advances and Payments", according to the agreement.

The adjustable rate notes are also subject to optional redemption at any time in whole or in part by, and at the sole option of the Financing Authority, at a redemption price equal to 100% of the principal amount redeemed. On April 23, 2012 these bond were redeemed in their entirety and replaced with Infrastructure Acquisition Bonds, Series 2012. Please see information below.

**Powell Community Infrastructure
Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

NOTE 9 - LONG-TERM OBLIGATIONS - CONTINUED

Community Facilities Adjustable Rate Note, Series 2005

Community Facilities Adjustable Rate Note – Series 2005	Balance January 1	Additions	Reductions	Balance December 31
Year:				
2011	\$517,306	\$0	\$6,890	\$510,416
2012	\$510,416	\$0	\$510,416	\$0

On June 17, 2005, the Authority issued \$458,448 in Community Facilities Adjustable Rate Notes which were issued for the purpose of providing funds to acquire and construct Community Facilities and to acquire and develop land in connection with same and to pay associated financing costs. Donald R. Kenney, Sr. is the registered owner of the notes.

The proceeds of the notes were used to extend a water line, to provide storm water retention in parking areas and to improve traffic flow with road improvements including a left turn lane. The community development charges are pledged for repayment. The financing Authority expects that all of the debt service on the notes will be paid from these revenues.

The adjustable rate notes are also subject to optional redemption at any time in whole or in part by, and at the sole option of the Financing Authority, at a redemption price equal to 100% of the principal amount redeemed. On April 23, 2012 these bond were redeemed in their entirety and replaced with Infrastructure Acquisition Bonds, Series 2012. Please see information below.

**Powell Community Infrastructure
Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

NOTE 10 - INTERGOVERNMENTAL DEBT

Infrastructure Acquisition Bonds, Series 2012	Balance January 1	Additions	Reductions	Balance December 31
Year:				
2012	\$0	3,130,000	\$0	\$3,130,000

Pursuant to a City of Powell ordinance, On April 23, 2012, the City issued \$9,915,000 in tax exempt, general obligation bonds to refinance the Community Facilities Adjustable Rate notes of which the Powell Community Infrastructure Financing Authority utilized \$3,130,000 to retire its two outstanding facilities (Series 2002 and 2005) as mentioned above. The balance of the issue was assumed by the Liberty Community Infrastructure Financing Authority.

Of the total \$9,915,000 issue, approximately 26% or \$2,600,000 of the issue consists of a 10-year Serial Bond with an average effective interest rate of approximately 3.2% and payable by 2022. The balance of the issue totaling \$7,315,000 consist of Term Bonds carry an average effective interest rate of 3.24% with maturity dates of December 1, in the years between 2023 and 2036.

All of the Bonds have interest payment dates of June 1 and December 1 of each year.

The Bonds maturing after December 1, 2021 are subject to redemptions at the option of the City, either in whole, or in part in such order of maturity as the City shall determine, on any date on or after June 1, 2022, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption.

The Bonds maturing on December 1, 2024, 2027, 2030, 2032, 2034, and 2036 are subject to mandatory sinking fund redemption prior to stated maturity.

The annual principal payments for the Authority's portion of the Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 95,000	\$ 81,561	\$ 176,561
2014	100,000	79,661	179,661
2015	105,000	77,661	182,661
2016	105,000	75,561	180,561
2017	110,000	73,461	183,461
2018-2022	575,000	333,706	908,706
2023-2027	640,000	269,331	909,331
2028-2032	730,000	178,200	908,200
2033-2036	<u>670,000</u>	<u>56,820</u>	<u>726,820</u>
Total	<u>\$3,130,000</u>	<u>\$1,225,962</u>	<u>\$4,355,962</u>

**Powell Community Infrastructure
Financing Authority
Delaware County
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

NOTE 11- CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

NOTE 12- RELATED PARTIES

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 Services, Inc (the Developer).

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.

Community Facilities Adjustable Rate Bonds, series 2002 totaling \$2,500,000 were issued to provide funds to acquire and construct community facilities and to develop land in connection with the same. Triangle Properties, Inc. is the registered owner of the notes issued. Series 2005 totaling \$458,448 were later initially issued for the Traditions at Powell to Donald R. Kenney. In 2010 the notes were transferred in the name of Cheryl Kenney, the spouse of Donald R. Kenney. On April 23, 2012, the City of Powell made arrangement to refinance this debt and the Community Facilities Adjustable Rate Bonds Series 2002 and 2005 were retired with bond proceeds.(See Note 10)

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The prior year net position balance has been restated to account for the correction of the recognition of community development charge revenues. Previously, one-half of the yearly assessments were accrued and recognized as revenues in the year assessed. The correction provides that amounts are recorded as revenues in the year received.

The effect of this change on beginning net position of the earliest period presented is as follows:

Previously stated net position, ending, December 31, 2010	\$ (2,923,416)
Adjustment for change in accounting principle	<u>(131,580)</u>
Restated net position, beginning, January 1, 2011	<u><u>\$ (3,054,996)</u></u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Powell Community Infrastructure Financing Authority
Delaware County
585 South Front Street, Suite 220
Columbus, Ohio 432145

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Powell Community Infrastructure Financing Authority, Delaware County, (the Authority) as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 19, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. We consider finding 2012-01 described in the accompanying schedule of findings to a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kennedy Cottrell Richards LLC
July 19, 2013

**POWELL COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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2012-01 Financial Reporting

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The presentation of materially correct financial statements and the related footnotes is the responsibility of management of the Authority. Independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements. Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

The Authority's primary operating revenues consist of community development charges assessed on businesses and residents within the Authority's boundaries. Generally accepted accounting principles define these charges as imposed non-exchange revenues. Imposed non-exchange revenues, similar to property taxes, are required to be reported in the period for which they are intended to finance.

During the audit period, the Authorities financial statements included adjustments to correct errors and to account for community development charge revenues in conformity with accounting principles generally accepted in the United States of America.

We recommend the Authority implement additional control procedures over the financial reporting process in order to prevent and detect potential misstatements in future periods.

Official's Response:

While we understand the need for the auditor to consider the prior period adjustment in the financial statement as a reportable matter, we would like to provide context as to why the adjustment was made by the Authority.

As indicated in the auditor's comments, the community development charges assessed on real property located within the Authority is considered a non-exchange revenue source by generally accepted accounting principles. Previously, the Authority was treating the community charge as an exchange type source of revenue based on well-established history and a supposedly correct understanding of the accounting principles. Also, our research indicated that there is at least one other Authority in the Central Ohio area that also treats this type of revenue source as an exchange transaction, as we had previously done. Also, the exchange transaction treatment has been used in previous audits reports which were accepted by the Auditor of State and IPA firms.

The prior period adjustment was made after it was brought to the Authority's attention a couple of years ago that there was stronger accounting support to indicate that in fact the community development charge revenue is most like a non-exchange transaction. Even though there is inconsistent treatment in its application by both the Auditor of State and IPA firms, we think there is stronger support to make the change in treatment. Therefore, based on this understanding, the Authority decided to make a change in treatment that resulted in the prior period adjustment.

The Authority understands the importance of following generally accepted accounting principles and we will continue to reassess their correct implementation on an on-going basis.

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Dave Yost • Auditor of State

POWELL 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 22, 2013**