NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

TABLE OF CONTENTS

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State of Ohio
Office of the Auditor
Jim Petro, Auditor of State

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

New Albany Community Authority
Franklin County
6525 West Campus Oval, Suite 100
New Albany, Ohio 43054

To the Board of Trustees:

We have audited the accompanying balance sheets, statements of revenues, expenses and changes in accumulated deficits, and cash flows of the New Albany Community Authority, Franklin County, Ohio, (the Authority) as of and for the years ended December 31, 1999, December 31, 1998, and December 31, 1997. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Albany Community Authority, Franklin County, Ohio, as of December 31, 1999, December 31, 1998, and December 31, 1997, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2000 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note 2 to the accompanying financial statements, the Authority began accounting for all financial activity in an enterprise fund on January 1, 1997.

JIM PETRO
Auditor of State

October 4, 2000

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NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

BALANCE SHEET
DECEMBER 31, 1999

ASSETS	
Cash and Cash Equivalents	$107,125
Cash with Fiscal and Escrow Agents	2,281,157
Community Development Charge Receivable	2,243,558
Income Tax Receivable	71,116
Interest Receivable	9,598
Lease Receivable	2,916,885
Unamortized Financing Costs	587,202
Fixed Assets	6,327,393
TOTAL ASSETS	$14,544,034
LIABILITIES	
Contracts Payable	497,408
Accounts Payable	725
Interest Payable	296,907
Unearned Income	1,030,525
Long Term	
Subordinated Notes - New Albany Company	2,165,369
Community Facilities Bonds	38,115,000
Multi-Purpose Infrastructure Bonds	7,780,000
Wellness Center Revenue Bonds	1,815,000
Total Long Term	49,875,369
TOTAL LIABILITIES	51,700,934
FUND EQUITY	
Accumulated Deficit	(37,156,900)
TOTAL EQUITY	(37,156,900)
TOTAL LIABILITIES AND FUND EQUITY	$14,544,034

See accompanying notes to the financial statements.

NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN ACCUMULATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1999

Operating Revenues	
Community Development Charge	$2,107,846
Interest Income	106,468
Village of New Albany Income Tax	143,757
Total Operating Revenues	2,358,071
Operating Expenses	
Bank Charge	40
Insurance	2,100
Professional fees	14,951
Amortization	31,174
Letter of Credit Fees	228,451
Interest Expense	3,427,371
Total Operating Expenses	3,704,087
Operating Loss	(1,346,016)
Non-Operating Revenues/Expenses	
Interest Income	141,375
Grants	600,000
Total Non-Operating Revenues (Expenses)	741,375
Net Loss	(604,641)
Accumulated Deficit at Beginning of Year	(36,552,259)
Accumulated Deficit at End of Year	($37,156,900)

See accompanying notes to the financial statements.

NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Community Development Charge	$1,805,784
Cash Received from Lease Income	171,468
Cash Received from Village Income Tax	72,641
Cash Payments for Professional Services	(16,327)
Cash Payments for Letter of Credit Fees	(229,541)
Net Cash Provided By Operating Activities	1,804,025
Cash Flows from Capital and Related Financing Activities:	
Proceeds of Notes	1,311,976
Grants	600,000
Cash Payments for Debt Service Principal	(665,000)
Cash Payments for Debt Service Interest	(3,419,251)
Acquisition and Construction of Capital Assets	(729,860)
Net Cash Used By Capital and Related Financing Activities	(2,902,135)
Cash Flows from Investing Activities:	
Interest	145,014
Net Cash Provided By Investing Activities	145,014
Net Decrease in Cash and Cash Equivalents	(953,096)
Cash and Cash Equivalents Beginning of Year	3,351,378
Cash and Cash Equivalents End of Year	$2,398,282
Reconcilation of Operating Loss to Net Cash Provided By Operating Activities:	
Operating Loss	($1,346,016)
Adjustments to Reconcile Operating Loss to Net Cash Provided in Operating Activities:	
Amortization	31,174
Debt Interest Expense	3,419,251
Changes in Assets and Liabilities:	
Decrease in Lease Receivable	171,468
Increase in Community Development Charge Receivable	(302,062)
Increase in Income Tax Receivable	(71,116)
Decrease in Accounts Payable	(2,906)
Increase in Interest Payable	10,700
Decrease in Unearned Income	(106,468)
Net Cash Provided By Operating Activities	$1,804,025

See accompanying notes to the financial statements.

NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

BALANCE SHEET
DECEMBER 31, 1998

ASSETS	
Cash and Cash Equivalents	($19,148)
Cash with Fiscal and Escrow Agents	3,370,526
Community Development Charge Receivable	1,941,496
Interest Receivable	13,237
Lease Receivable	3,088,353
Unamortized Financing Costs	618,376
Fixed Assets	5,359,730
TOTAL ASSETS	14,372,570
LIABILITIES	
Contracts Payable	259,605
Accounts Payable	3,631
Interest Payable	286,207
Unearned Income	1,136,993
Long Term	
Subordinated Notes - New Albany Company	863,393
Community Facilities Bonds	38,115,000
Multi-Purpose Infrastructure Bonds	8,380,000
Wellness Center Revenue Bonds	1,880,000
Total Long Term	49,238,393
TOTAL LIABILITIES	50,924,829
FUND EQUITY	
Accumulated Deficit	(36,552,259)
TOTAL EQUITY	(36,552,259)
TOTAL LIABILITIES AND FUND EQUITY	14,372,570

See accompanying notes to the financial statements.

NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN ACCUMULATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1998

Operating Revenues	
Community Development Charge	$1,819,682
Interest Income	109,018
Village of New Albany Income Tax	7,512
Total Operating Revenues	1,936,212
Operating Expenses	
Bank Charge	91
Professional fees	37,215
Amortization	31,174
Letter of Credit Fees	1,000
Interest Expense	3,508,184
Total Operating Expenses	3,577,664
Operating Loss	(1,641,452)
Non-Operating Revenues/Expenses	
Interest Income	343,988
Other Income	1,596
Donation of Fixed Assets	(1,223,843)
Total Non-Operating Revenues (Expenses)	(878,259)
Net Loss	(2,519,711)
Accumulated Deficit at Beginning of Year	(34,032,548)
Accumulated Deficit at End of Year	($36,552,259)

See accompanying notes to the financial statements.

NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Community Development Charge	$1,442,681
Cash Received from Lease Income	169,018
Cash Received from Village Income Tax	7,512
Cash Payments for Professional Services	(31,588)
Net Cash Provided By Operating Activities	1,587,623
Cash Flows from Noncapital Financing Activities:	
Refund of Prior Year Expenditure	16,028
Net Cash Provided By Noncapital Financing Activities	16,028
Cash Flows from Capital and Related Financing Activities:	
Proceeds of Notes	863,393
Cash Payments for Debt Service Principal	(1,680,000)
Cash Payments for Debt Service Interest	(3,507,229)
Acquisition and Construction of Capital Assets	(3,757,888)
Net Cash Used By Capital and Related Financing Activities	(8,081,724)
Cash Flows from Investing Activities:	
Interest	372,064
Net Cash Provided By Investing Activities	372,064
Net Decrease in Cash and Cash Equivalents	(6,106,009)
Cash and Cash Equivalents Beginning of Year	9,457,387
Cash and Cash Equivalents End of Year	$3,351,378
Reconcilation of Operating Loss to Net Cash Provided By Operating Activities:	
Operating Loss	($1,641,452)
Adjustments to Reconcile Operating Loss to Net Cash Provided in Operating Activities:	
Amortization	31,174
Debt Interest Expense	3,507,229
Changes in Assets and Liabilities:	
Decrease in Lease Receivable	169,018
Increase in Community Development Charge Receivable	(365,675)
Decrease in Interest Receivable	28,036
Decrease in Accounts Payable	(24,196)
Decrease in Interest Payable	(7,393)
Decrease in Unearned Income	(109,118)
Net Cash Provided By Operating Activities	$1,587,623

See accompanying notes to the financial statements.

NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

BALANCE SHEET
DECEMBER 31, 1997

ASSETS	
Cash and Cash Equivalents	$373,423
Cash with Fiscal and Escrow Agents	9,083,964
Community Development Charge Receivable	1,575,821
Interest Receivable	41,313
Lease Receivable	3,257,371
Unamortized Financing Costs	649,540
Fixed Assets	3,658,316
TOTAL ASSETS	18,639,748
LIABILITIES	
Contracts Payable	1,049,858
Accounts Payable	27,827
Interest Payable	293,600
Unearned Income	1,246,011
Long Term	
Community Facilities Bonds	38,115,000
Multi-Purpose Infrastructure Bonds	10,000,000
Wellness Center Revenue Bonds	1,940,000
Total Long Term	50,055,000
TOTAL LIABILITIES	52,672,296
FUND EQUITY	
Accumulated Deficit	(34,032,548)
TOTAL EQUITY	(34,032,548)
TOTAL LIABILITIES AND FUND EQUITY	18,639,748

See accompanying notes to the financial statements.

NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN ACCUMULATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1997

Operating Revenues	
Community Development Charge	$1,463,716
Lease Income	111,418
Total Operating Revenues	1,575,134
Operating Expenses	
Bank Charge	2
Supplies and Materials	106
Professional fees	84,253
Administrative fees	12,980
Amortization	24,159
Letter of Credit Fees	76,463
Interest Expense	3,275,695
Total Operating Expenses	3,473,658
Operating Loss	(1,898,524)
Non-Operating Revenues/Expenses	
Interest Income	321,976
Refund of Prior Year Expenditure	298
Other Expenses	(1,215)
Donation of Fixed Assets	(325,537)
Total Non-Operating Revenues (Expenses)	(4,478)
Net Loss	(1,903,002)
Accumulated Deficit at Beginning of Year - Restated	(32,129,546)
Accumulated Deficit at End of Year	($34,032,548)

See accompanying notes to the financial statements.

NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1997

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Community Development Charge	$1,095,590
Cash Received from Lease Income	$171,418
Cash Payments for Professional Services	(76,014)
Cash Payments for Wellness Center Revenue Bonds Principal	(60,000)
Cash Payments for Letter of Credit Fees	(56,875)
Cash Payments for Personal Services	(12,980)
Cash Payments for Other Expenses	(1,215)
Cash Payments to Vendors for Materials and Supplies	(106)
Net Cash Provided By Operating Activities	1,059,818
Cash Flows from Noncapital Financing Activities:	
Refund of Prior Year Expenditure	298
Miscellaneous Expenses	0
Net Cash Provided By Noncapital Financing Activities	298
Cash Flows from Capital and Related Financing Activities:	
Proceeds of Bonds	10,000,000
Cash Payments for Debt Service Interest	(3,241,068)
Acquisition and Construction of Capital Assets	(5,236,415)
Net Cash Provided By Capital and Related Financing Activities	1,522,517
Cash Flows from Investing Activities:	
Interest	283,840
Net Cash Provided By Investing Activities	283,840
Net Increase in Cash and Cash Equivalents	2,866,473
Cash and Cash Equivalents Beginning of Year	6,590,914
Cash and Cash Equivalents End of Year	$9,457,387
Reconcilation of Operating Loss to Net Cash Provided By Operating Activities:	
Operating Loss	($1,898,524)
Adjustments to Reconcile Operating Loss to Net Cash Provided in Operating Activities:	
Amortization	24,159
Debt Interest Expense	3,241,068
Changes in Assets and Liabilities:	
Decrease in Lease Receivable	171,418
Increase in Community Development Charge Receivable	(368,126)
Increase in Interest Receivable	(38,136)
Increase in Accounts Payable	4,750
Increase in Interest Payable	34,627
Decrease in Unearned Income	(111,418)
Net Cash Provided By Operating Activities	$1,059,818

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998, AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The New Albany Community Authority is a "new 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. Four of the Trustees are appointed by the Franklin County Commissioners. 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.

B. Basis of Accounting

The Authority's financial activity is accounted for using a proprietary fund. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the Authority are included on the balance sheet.

The accrual basis of accounting is used for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recorded at the time liabilities are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fixed 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 1999, 1998, and 1997, the net interest expense incurred on Authority construction projects was not material.

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.

2. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR YEAR RESTATEMENT

Beginning January 1, 1997, the Authority began reporting all financial activity in an enterprise fund. Financial activity in prior years was reflected through governmental fund types.

Restatements of fund balance/accumulated deficit are as follows:

	Amount at 12/31/96	Restated Amount
General Fund	135,469	0
Debt Service Fund	2,151,831	0
Capital Projects Fund	4,026,558	0
General Fixed Assets Account Group	418,604	0
Enterprise Fund	0	(32,129,546)

3. ACCUMULATED DEFICIT

At December 31, 1999, the Authority has an accumulated deficit of $37,156,900. 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 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 with, primarily, future community development fees.

4. CASH AND CASH EQUIVALENTS

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

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

Inactive deposits are public deposits that are not required for use within the current two year period of designation of depositories. Inactive deposits may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim deposits are public 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. Interim monies may be deposited or invested in the following securities: Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest; Bond, notes, debentures, or other obligations or securities issued by any federal government agency; Repurchase agreements in the securities listed above; No-load money market mutual funds consisting of the securities listed above; Bonds and other obligations of the State of Ohio; and the State Treasurer's investment pool.

At year end December 31, 1999, 1998, and 1997, the carrying amounts of the Authority's deposits were $24,057, ($19,148), and $373,423. The bank balances were $24,057, $78,183, and $455,880 respectively. The total bank balances were federally insured up to $100,000 and the remaining balance was collateralized by investments held by a third party trustee not in the name of the Authority.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. The Authority's investments are categorized as either (1) insured or registered for which the securities are held by the Authority or its agent in the Authority's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Authority's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name.

The Authority's investments of $2,291,157, $3,370,525, and $9,083,964 at December 31, 1999, 1998, and 1997, respectively in U.S. Treasury Money Market Funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

5. 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 is currently levied at 9.75 mills. Charge revenue recognized represents the amount levied on 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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998, AND 1997
(Continued)

5. COMMUNITY DEVELOPMENT CHARGE (Continued)

The assessed value of all property within the District upon which the 1999 charge receipts were based was $186,634,078.

6. FIXED ASSETS

Changes in construction in progress during 1997 were as follows:

Construction in Progress	Balance at 12/31/96	Additions	Transfers	Balance at 12/31/97
High School	$0	$543,617	$543,617	$0
Fire Facilities	288,608	935,198	0	1,223,806
Wellness Center	129,997	1,941,363	2,071,360	0
Business Campus - Infrastructure	0	2,434,510	0	2,434,510
Total	$418,617	$5,854,688	$2,614,977	$3,658,328

Changes in construction in progress during 1998 were as follows:

Construction in Progress	Balance at 12/31/97	Additions	Transfers	Balance at 12/31/98
Fire Facilities	$1,223,806	$37	$1,223,843	$0
Business Campus - Infrastructure	2,434,510	2,925,220	0	5,359,730
Total	$3,658,316	$2,925,257	$1,223,843	$5,359,730

Changes in construction in progress during 1999 were as follows:

Construction in Progress	Balance at 12/31/98	Additions	Transfers	Balance at 12/31/99
Business Campus - Infrastructure	$ 5,359,730	967,663	$0	6,327,393
Total	$5,359,730	$967,663	$0	$6,327,393

7. DIRECT FINANCING LEASE

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

The amortization of the lease payments are as follows:

Year	Principal	Interest	Total
2000	$70,000	$103,543	$173,543
2001	70,000	100,323	170,323
2002	75,000	97,033	172,033
2003	80,000	93,433	173,433
2004	80,000	89,513	169,513
2005-2016	1,440,000	618,040	2,058,040
Totals	$1,815,000	$1,101,885	$2,916,885

8. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Community Facilities Bonds, Series A	$ 38,115,000	8%
Wellness Center Revenue Bonds	1,815,000	4 - 6%
Multi-Purpose Infrastructure Improvement Bonds, Series A	7,780,000	variable
Subordinated Notes - New Albany Company, Series 1998A	863,393	5.01%
Subordinated Notes - New Albany Company, Series 1999A	556,434	5.23%
Subordinated Notes - New Albany Company, Series 1999B	745,542	5.87%
Total	$ 49,875,369	

Community Facilities Bonds: In 1995, the Authority issued the Community Facilities Bonds, Series A in the amount of $38,115,000. The proceeds of the bonds were to be used to acquire and/or construct School Facilities, Fire Facilities, and road construction. The bonds have a final stated principal maturity of December 1, 2024, with mandatory principal redemptions on December 1 in the years 2002 through 2024. Except for the letter of credit reserve and the subordinated notes, referred to below, the Authority's Community Development Charge is the sole source of funds for principal and interest payments. The Authority also has the option to issue up to $10,000,000 in Subordinated Notes. The Authority also has as a reserve fund for these bonds an irrevocable standby letter of credit in the amount of $10,000,000 with Bank One, Columbus, NA.

8. DEBT (Continued)

Subordinated Notes - New Albany Company: The Authority issued subordinated notes to the New Albany Company in 1998 and 1999 for the purpose of funding the payment of a portion of Bond Service Charges on the Community Facilities Bonds. The bonds will mature no earlier than December 1, 2024. Interest will accrue on the notes, but no principal or interest will be payable unless the sum of the community development charge receipts received in the prior fiscal year aggregated an amount at least equal to 120% of the largest amount required in any succeeding fiscal year to meet bond service charges on all outstanding bonds.

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 and liquidity support 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 Bonds: In 1997, the Authority issued the Multi-Purpose Infrastructure Improvement Bonds in the amount of $10,000,000. The proceeds of the bonds were for construction of infrastructure in the New Albany Economic Opportunity Zone. The bonds have an adjustable interest rate, currently determined weekly. The rate cannot exceed 12%. The bonds are scheduled to mature on August 1, 2021. There are no mandatory principal payments while the variable rate is in effect. The Authority's sole source of repayment for these bonds is 30% of the municipal gross income tax revenues collected by the Village of New Albany from the New Albany Economic Opportunity Zone. The Authority also has an irrevocable standby letter of credit in the amount of $17,012,000 with Huntington National Bank.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Community Facilities Bonds	Wellness Center Revenue Bonds
2000	$ 3,049,200	$ 173,543
2001	3,049,200	170,323
2002	3,444,200	172,033
2003	3,447,600	173,433
2004	3,543,200	169,513
Subsequent	75,210,000	2,058,040
Total	$ 91,743,400	$ 2,916,885

8. DEBT (Continued)

Principal payments due on the adjustable rate bond and subordinated notes are as follows:

Year ending December 31:	Multi-Purpose Infrastructure Improvement Bonds	Subordinated Notes
2000	$ 0	$ 0
2001	0	0
2002	0	0
2003	0	0
2004	0	0
Subsequent	10,000,000	2,165,369
Total	$ 10,000,000	$ 2,165,369

9. SUBSEQUENT EVENTS

The Authority transferred the Business Campus - Infrastructure to the Village of New Albany in February of 2000.

On February 23, 2000, the Authority issued $16,700,000 Adjustable Rate Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series B. The proceeds of the bonds were for construction of infrastructure in the New Albany Economic Opportunity Zone and to refund the 1997 Multi-Purpose Infrastructure Bonds, Series A. The Series B Bonds have terms similar to the 1997 issue.

On June 1, 2000, the Authority issued $426,952 in Subordinated Notes - New Albany Company, Series 2000A. The Series 2000A notes have terms similar to the outstanding Subordinated Notes.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

New Albany Community Authority
Franklin County
6525 West Campus Oval, Suite 100
New Albany, Ohio 43054

To the Board of Trustees:

We have audited the accompanying balance sheets, statements of revenue, expenses and changes in accumulated deficits, and cash flows of the New Albany Community Authority, Franklin County, Ohio (the Authority), as of and for the years ended December 31, 1999, December 31, 1998, and December 31, 1997, and have issued our report thereon dated October 4, 2000, wherein we noted the Authority began accounting for its activity in an enterprise fund in 1997. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 1999-10625-001 through 1999-10625-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1999-10625-003 through 1999-10625-006 to be material weaknesses. We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated October 4, 2000.

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

JIM PETRO
Auditor of State

October 4, 2000

SCHEDULE OF FINDINGS
DECEMBER 31, 1999, 1998, AND 1997

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Reportable Conditions

FINDING NUMBER 1999-10625-001

The Authority does not have an audit committee.

We recommend the Authority establish an audit committee. The National Commission on Fraudulent Financial Reporting (known as the Treadway Commission), has stated that audit committees can serve as "informed, vigilant, and effective overseers of the financial reporting process and internal controls." An audit committee should perform the following functions:

- Review the annual unaudited financial report submitted to the Auditor of State;
- Periodically review the process used to prepare interim financial information submitted to the Board;
- Review audit results;
- Assure that audit recommendations are appropriately addressed;
- Assure auditor's independence from management;
- Serve as liaison between management and independent auditors.

The audit committee can include officials of the Authority. However, it is preferable to include representation that is independent from elected officials and management. The committee could include professionals knowledgeable in the Authority's operations and in accounting, such as attorneys or bankers. The audit committee should meet regularly (perhaps quarterly) to monitor the Authority's financial reporting and control activities, and should meet with its independent auditors before and after each audit.

FINDING NUMBER 1999-10625-002

The Treasurer of the Authority currently prepares and submits the charge invoice to the County Auditor. For the majority of properties within the District, the Authority determines the assessed value using the County Auditor's appraisal. For the properties that have not been appraised by the County Auditor, the Authority uses the lot value or a calculation using the lot value. The Treasurer is solely responsible for preparing this assessed value when the County Auditor appraisal is not used. The Treasurer does not provide a listing of these internally assessed properties and calculations to the Board for their review and approval.

The lack of any review of the Charge invoice by management could allow for errors or irregularities to occur in the calculation of market value, assessed value, and the charge amount. It could also lead to properties being incorrectly included or excluded from the listing.

We recommend the Board review the charge calculation, a listing of properties internally assessed by the Treasurer and billing prior to submission to the Auditor's Office. The Treasurer should indicate how the assessed value was determined for each property. The Board should approve the billing in the minutes.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Material Weaknesses

FINDING NUMBER 1999-10625-003

Board involvement in the activities of the Authority is limited to the approval of annual community development charge rate, approval of depository agreements, and approval of bond issuances.

The lack of Board involvement in the activities of the Authority could lead to mismanagement of funds and noncompliance with State and local laws and agreements.

We recommend the Board become more involved in managing the Authority. The Board should review and approve bank reconciliations, disbursements, construction contracts, debt issuances (including subordinated notes). The Board should also request to be provided financial statements in order to properly monitor such activity.

FINDING NUMBER 1999-10625-004

The Authority should account for financial activity on either an accrual or cash basis of accounting.

The Authority currently accounts for the community development charge and fixed assets on an accrual basis, but does not record related liabilities. Disbursements for other than fixed assets are accounted for on the cash basis of accounting. The Authority did not record interest receivable, interest payable, income tax receivable, accounts payable, contracts payable, and amortization of financing costs.

The lack of an established accounting method can lead to significantly misstated financial statements.

The Board should establish the preferred method of accounting and review to ensure this method is used.

FINDING NUMBER 1999-10625-005

The Authority did not always maintain and provide adequate supporting documentation such as invoices, support for receipts, support for journal entries, and accurate trial balances.

The lack of supporting documentation could lead to errors or irregularities in posting financial activity and preparing financial statements.

We recommend the Authority ensure supporting documentation for financial activity is adequately maintained.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Material Weaknesses (Continued)

FINDING NUMBER 1999-10625-006 (Continued)

Monthly bank to book reconciliations were not performed throughout 1997, 1998, and 1999.

The lack of monthly bank to book reconciliations could lead to undetected errors or irregularities that could affect both the accounting records and the depository activity.

We recommend the Treasurer perform monthly bank reconciliations. Discrepancies between the amounts on the bank statements and fund balances should be investigated and resolved. In addition, the reconciliation should be provided to the Board in order to gain further assurance that errors and/or irregularities are detected by management.

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JANUARY 16, 2001