

New Albany Community Authority

Franklin County, Ohio

Regular Audit

January 1, 2002 through December 31, 2003

Fiscal Years Audited Under GAGAS: 2003 and 2002

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
New Albany Community Authority
6525 W. Campus Oval, Suite 100
New Albany, OH 43054

We have reviewed the Independent Auditor's Report of the New Albany Community Authority, Franklin County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 23, 2005

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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the New Albany Community Authority, Franklin County, Ohio, (the Authority), as of December 31, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2003 and 2002, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2004 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

October 20, 2004

New Albany Community Authority
Franklin County, Ohio
Balance Sheet
December 31, 2003

Assets:

Cash and cash equivalents	\$1,765,242
Cash with fiscal and escrow agents	6,736,485
Community development charge receivable	3,693,266
Income tax receivable	408,109
Lease receivable	2,227,553
Infrastructure reimbursement receivable	280,500
Unamortized financing costs	1,351,928
Fixed assets	<u>32,489</u>

Total assets: \$16,495,572

Liabilities:

Current:

Contracts payable	\$32,489
Accounts payable	680,653
Interest payable	897,373
Unearned income	<u>707,553</u>

Total current liabilities: 2,318,068

Long term:

Community facilities bonds	52,395,000
Multi-purpose infrastructure bonds	16,700,000
Wellness center revenue bonds	<u>1,520,000</u>

Total long term liabilities: 70,615,000

Total liabilities: 72,933,068

Fund equity:

Accumulated deficit (56,437,496)

Total fund equity: (56,437,496)

Total liabilities and fund equity: \$16,495,572

See accompanying notes to the financial statements.

New Albany Community Authority
 Franklin County, Ohio
 Statement of Revenues, Expenses and Changes in Accumulated Deficit
 For the Year Ended December 31, 2003

Operating revenues:

Community development charge	\$3,662,389
Lease interest income	93,433
Village of New Albany income tax	<u>2,026,850</u>
Total operating revenues:	5,782,672

Operating expenses:

Advertising	62
Insurance	4,904
Accounting fees	21,920
Legal fees	27,062
Bond trustee fees	38,469
Amortization	62,727
Letter of credit fees	150,186
Interest expense	<u>2,940,003</u>
Total operating expenses:	<u>3,245,333</u>

Operating income/(loss): 2,537,339

Non-operating revenues/expenses:

Interest income	32,022
Donation of fixed assets	<u>(461,008)</u>
Total non-operating revenues/expenses:	<u>(428,986)</u>

Net gain: 2,108,353

Accumulated deficit at beginning of year (58,545,849)

Accumulated deficit at end of year (\$56,437,496)

See accompanying notes to the financial statements.

New Albany Community Authority
Franklin County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2003

Increase/(decrease) in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from community development charge	\$3,488,829
Cash received from village income tax	1,680,983
Cash received from lease	173,433
Cash payments for administrative expenses	(71,257)
Cash payments for letter of credit fees	<u>(65,213)</u>
Net cash provided by operating activities:	5,206,775
Cash flows from capital and related financing activities:	
Cash payments for debt service principal	(650,000)
Cash payments for debt service interest	(2,948,470)
Acquisition and construction of capital assets	<u>(81,108)</u>
Net cash used by capital and related financing activities:	(3,679,578)
Cash flows from investing activities:	
Interest	<u>35,039</u>
Net cash provided by investing activities:	<u>35,039</u>
Net increase in cash and cash equivalents:	1,562,236
Cash and cash equivalents at beginning of year	<u>6,939,491</u>
Cash and cash equivalents at end of year	<u><u>\$8,501,727</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$2,537,339
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization	62,727
Debt interest expense	2,934,358
Changes in assets and liabilities:	
(Increase)/decrease in community development charge receivable	(204,752)
(Increase)/decrease in income tax receivable	(345,867)
(Increase)/decrease in lease receivable	173,433
(Increase)/decrease in unamortized financial costs	28,603
Increase/(decrease) in contracts payable	1,785
Increase/(decrease) in accounts payable	119,153
Increase/(decrease) in interest payable	(6,571)
Increase/(decrease) in unearned income	<u>(93,433)</u>
Net cash provided by operating activities:	<u><u>\$5,206,775</u></u>

See accompanying notes to the financial statements.

New Albany Community Authority
Franklin County, Ohio
Balance Sheet
December 31, 2002

Assets:

Cash and cash equivalents	\$1,623,774
Cash with fiscal and escrow agents	5,315,717
Community development charge receivable	3,488,513
Income tax receivable	62,242
Interest receivable	3,019
Lease receivable	2,400,986
Infrastructure reimbursement receivable	280,500
Unamortized financing costs	<u>1,380,531</u>

Total assets: \$14,555,282

Liabilities:

Current:

Contracts payable	\$30,704
Accounts payable	100,497
Interest payable	903,944
Unearned income	<u>800,986</u>

Total current liabilities: 1,836,131

Long term:

Community facilities bonds	52,965,000
Multi-purpose infrastructure bonds	16,700,000
Wellness center revenue bonds	<u>1,600,000</u>

Total long term liabilities: 71,265,000

Total liabilities: 73,101,131

Fund equity:

Accumulated deficit (58,545,849)

Total fund equity: (58,545,849)

Total liabilities and fund equity: \$14,555,282

See accompanying notes to the financial statements.

New Albany Community Authority
Franklin County, Ohio
Statement of Revenues, Expenses and Changes in Accumulated Deficit
For the Year Ended December 31, 2002

Operating revenues:

Community development charge	\$3,447,511
Lease interest income	97,033
Village of New Albany income tax	<u>1,158,489</u>

Total operating revenues: 4,703,033

Operating expenses:

Advertising	57
Bank charge	39
Insurance	3,460
Accounting fees	4,534
Legal fees	10,601
Bond trustee fees	25,494
Amortization	62,692
Letter of credit fees	143,705
Interest expense	<u>3,347,152</u>

Total operating expenses: 3,597,734

Operating income/(loss): 1,105,299

Non-operating revenues/expenses:

Interest income	73,616
Donation of fixed assets	<u>(8,166,244)</u>

Total non-operating revenues/expenses: (8,092,628)

Net loss: (6,987,329)

Accumulated deficit at beginning of year (restated - Note 2) (51,558,520)

Accumulated deficit at end of year (\$58,545,849)

See accompanying notes to the financial statements.

New Albany Community Authority
Franklin County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2002

Increase/(decrease) in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from community development charge	\$3,684,804
Cash received from village income tax	1,149,496
Cash received from lease	172,033
Cash payments for administrative expenses	(73,962)
Cash payments for letter of credit fees	<u>(198,263)</u>
Net cash provided by operating activities:	4,734,108
Cash flows from capital and related financing activities:	
Cash payments for debt service principal	(75,000)
Cash payments for debt service interest	(2,552,722)
Acquisition and construction of capital assets	<u>(112,116)</u>
Net cash used by capital and related financing activities:	(2,739,838)
Cash flows from investing activities:	
Interest	<u>66,668</u>
Net cash provided by investing activities:	<u>66,668</u>
Net increase in cash and cash equivalents:	2,060,938
Cash and cash equivalents at beginning of year (restated - Note 2)	<u>4,878,553</u>
Cash and cash equivalents at end of year	<u><u>\$6,939,491</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$1,105,299
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization	62,692
Debt interest expense	2,498,237
Changes in assets and liabilities:	
(Increase)/decrease in community development charge receivable	164,394
(Increase)/decrease in income tax receivable	(8,993)
(Increase)/decrease in lease receivable	172,033
(Increase)/decrease in refunding legal fees	65,000
(Increase)/decrease in unamortized financial costs	93,277
Increase/(decrease) in contracts payable	(81,416)
Increase/(decrease) in accounts payable	(36,791)
Increase/(decrease) in interest payable	797,409
Increase/(decrease) in unearned income	<u>(97,033)</u>
Net cash provided by operating activities:	<u><u>\$4,734,108</u></u>
See accompanying notes to the financial statements.	

New Albany Community Authority
Franklin County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity:

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

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

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

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

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

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.

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.

New Albany Community Authority
Franklin County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fixed Assets (Construction in Progress) (continued)

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 2003 and 2002, the net interest expense incurred on Authority construction projects was insignificant.

D. Community Development Charge Receivable

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

NOTE 2-RESTATEMENT OF BALANCES

The Authority is restating its beginning accumulated deficit as of January 1, 2002 due to an error discovered in the recording of its cash. In December 2001, the Authority refunding one of its debt obligations. This refunding caused an elimination of a reserved cash account. However, this was not recorded in the financial statements and was not detected timely. Restatement of accumulated deficits and cash with fiscal agents are as follows:

	Amount at 12/3/01	Restated Amount
Accumulated Deficit	(\$44,861,890)	(\$51,558,520)
Cash with Fiscal Agents	\$11,575,183	\$4,878,553

NOTE 3-ACCUMULATED DEFICIT

At December 31, 2003, the Authority has an accumulated deficit of \$56,437,496. This deficit is a result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publicly owned and operated community facilities. The Authority incurs the costs of constructing community facilities. The titles to these assets are then transferred to the community and the related costs are recorded as an expense. This deficit will be reduced and eliminated as outstanding debt is paid. See Note 10 for further discussion of debt repayment.

NOTE 4-CASH AND CASH EQUIVALENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority treasury 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.

New Albany Community Authority
Franklin County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

NOTE 4-CASH AND CASH EQUIVALENTS (continued)

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, 2003 and 2002, the carrying amounts of the Authority's deposits were \$1,765,242 and \$1,623,774, respectively. The bank balances were \$1,789,354 and \$1,629,633, respectively. The total bank balances were federally insured up to \$100,000 and the remaining balances were collateralized by investments held by a third party trustee not in the name of the Authority.

NOTE 5-CASH WITH FISCAL AND ESCROW AGENTS

At year end December 31, 2003 and 2002, the carrying amounts of the Authority's cash with fiscal and escrow agents were \$6,736,485 and \$5,315,717, respectively. These amounts are held in escrow for projects funded by bond issuances. These funds are held in U.S. Treasury Money Market Funds held by the Trustees.

NOTE 6-COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community development charge up to 9.75 mills on the assessed value of all property within the District. The charge is currently levied at 9.75 mills. Charge revenue recognized represents the amount levied of October 1 of the preceding year.

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

The 2003 and 2002 assessed values of all property within the District were \$528,336,341 and \$430,938,911. The 2003 and 2002 receivables recognized based on these figures were \$3,693,266 and \$3,488,513, respectively.

NOTE 7-FIXED ASSETS

Changes in construction in progress during 2002 were as follows:

<u>Construction in Progress</u>	<u>Balance at 12/31/01</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance at 12/31/02</u>
Blacklick	\$8,014,603	\$151,641	\$8,166,244	\$0
Total	<u>\$8,014,603</u>	<u>\$151,641</u>	<u>\$8,166,244</u>	<u>\$0</u>

New Albany Community Authority
Franklin County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

NOTE 7-FIXED ASSETS (continued)

Changes in construction in progress during 2003 were as follows:

<u>Construction in Progress</u>	<u>Balance at 12/31/02</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance at 12/31/03</u>
Central College	\$0	\$32,489	\$0	\$32,489
Blacklick	0	461,008	461,008	0
Total	<u>\$0</u>	<u>\$493,497</u>	<u>\$461,008</u>	<u>\$32,489</u>

NOTE 8-DIRECT FINANCING LEASE

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

The amortization of the lease payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$80,000	\$89,513	\$169,513
2005	85,000	85,013	170,013
2006	90,000	80,232	170,232
2007	95,000	75,169	170,169
2008	100,000	69,826	169,826
2009-2013	610,000	251,700	861,700
2014-2016	460,000	56,100	516,100
Total	<u>\$1,520,000</u>	<u>\$707,553</u>	<u>\$2,227,553</u>

NOTE 9-VILLAGE OF NEW ALBANY INCOME TAX

The Authority receives 30% and 50%, respectively, from Phase I and Phase II of the gross income tax revenues collected by the Village of New Albany for the Economic Opportunity Zone. The Economic Opportunity Zone is approximately 200 acres of land that the New Albany Company is developing into a business campus. The Village of New Albany Income Tax is used to make payments on the Multi-Purpose Infrastructure Bonds described in Note 10.

New Albany Community Authority
Franklin County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

NOTE 10-DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Community Facilities Refunding Bonds, Series B	\$52,395,000	3 – 5.5%
Wellness Center Revenue Bonds	1,520,000	4 – 6%
Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series B	16,700,000	Variable
Total	\$70,615,000	

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

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

Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series B: In 2000, the Authority issued the Multi-Purpose Infrastructure Improvement Bonds, Series B in the amount of \$16,700,000. The proceeds of the bonds were used to currently refund Multi-Purpose Infrastructure Improvement Bonds, Series A and for construction of infrastructure in the New Albany Economic Opportunity Zone. The bonds have an adjustable interest rate, currently determined weekly. The rate cannot exceed 12%. The bonds have a final stated principal maturity of February 1, 2025, with mandatory principal redemptions on February 1 in the years 2004 through 2024. The Authority’s sole source of repayment for these bonds is from income taxes on businesses in Phase I and Phase II of the Economic Opportunity Zone. The Authority receives 30% and 50%, respectively, from Phase I and Phase II of the gross income tax revenues collected by the Village of New Albany for the Economic Opportunity Zone. The Authority also has as credit and liquidity support for the bonds an irrevocable standby letter of credit in the amount of \$17,012,000 with Huntington National Bank facilitated by the New Albany Company.

In 2004, the Authority refunded the Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series B. This event is discussed in more detail in a subsequent events note, Note 11.

New Albany Community Authority
Franklin County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

NOTE 10-DEBT (continued)

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

Year	Community Facilities Bonds	Wellness Center Revenue Bonds
2004	\$3,687,453	\$169,513
2005	3,730,953	170,013
2006	3,837,984	170,232
2007	3,852,784	170,169
2008	3,893,784	169,826
2009-2013	20,680,919	861,700
2014-2018	21,042,269	516,100
Subsequent	28,842,611	0
Total	\$89,568,757	\$2,227,553

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

Year	Multi- Purpose Infrastructure Improvement Bonds
2004	120,000
2005	150,000
2006	190,000
2007	240,000
2008	280,000
2009-2013	2,230,000
2014-2018	4,030,000
Subsequent	9,460,000
Total	\$16,700,000

NOTE 11-SUBSEQUENT EVENTS

In January 2004, the Authority issued Multi-Purpose Infrastructure Improvement Bonds, Series C, in the amount of \$16,100,000. The proceeds of the bonds were used to currently refund Multi-Purpose Infrastructure Improvement Bonds, Series B. The bonds have a variable interest rate, currently determined weekly. The rate cannot exceed 12%. The bonds have a final stated principal maturity of February 1, 2025, with mandatory principal redemptions on February 1 in the years 2004 through 2024. The Authority's sole source of repayment for these bonds is from income taxes on businesses in Phase I and Phase II of the Economic Opportunity Zone. The Authority receives 30% and 50%, respectively, from Phase I and Phase II of the gross income tax revenues collected by the Village of New Albany for the Economic Opportunity Zone. The Authority also has as credit and liquidity support for the bonds an irrevocable standby letter of credit in the amount of \$16,219,979 with Key Bank facilitated by a guarantee by the New Albany Company.

New Albany Community Authority
Franklin County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

NOTE 11-SUBSEQUENT EVENTS (continued)

Principal payments due on the variable rate bond issued subsequent to the audit period are as follows:

<u>Year</u>	<u>Multi- Purpose Infrastructure Improvement Bonds</u>
2004	\$500,000
2005	500,000
2006	500,000
2007	500,000
2008	600,000
2009-2013	3,100,000
2014-2018	3,700,000
Subsequent	<u>6,700,000</u>
Total	<u><u>\$16,100,000</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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6525 West Campus Oval, Suite 100
New Albany, Ohio 43054

We have audited the accompanying financial statements of the New Albany Community Authority, (the Authority), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 20, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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. Our considerations of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Trustees
New Albany Community Authority
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit
of Financial Statements Performed in Accordance with *Government Auditing Standards*
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This report is intended solely 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.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

October 20, 2004



**Auditor of State
Betty Montgomery**

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**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 8, 2005**