New Albany Community Authority

Franklin County, Ohio

Regular Audit

January 1, 2006 through December 31, 2007

Fiscal Years Audited Under GAGAS: 2007 and 2006

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Mary Taylor, CPA
Auditor of State

Board of Trustees
New Albany Community Authority
8000 Walton Parkway, Suite 120
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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, 2006 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 26, 2008

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New Albany Community Authority
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For the Years Ended December 31, 2007 and 2006

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Board of Trustees
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New Albany, Ohio 43054

Independent Auditor's Report

We have audited the financial statements of the business-type activities of the New Albany Community Authority, Franklin County, Ohio, (the Authority), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of December 31, 2007 and 2006, and the changes in financial position 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 date April 11, 2008, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

April 11, 2008

The discussion and analysis of the New Albany Community Authority's financial performance provides an overview of the Authority's financial performance as a whole for the years ended December 31, 2007 and 2006. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current years and prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for 2007 and 2006 follow:

- Total assets increased $594,234, or 1.6%, between 2006 and 2007 and $3,171,288 or 9.4%, between 2005 and 2006. Total liabilities decreased $4,628,285, or 7.0%, between 2006 and 2007 and $1,974,562, or 2.9%, between 2005 and 2006. Total net assets increased $5,222,519 or 17.7%, between 2006 and 2007 and $5,145,850, or 14.9%, between 2005 and 2006.
- Total revenues increased $3,970,835, or 45.8%, between 2006 and 2007 and decreased $13,229,978, or 60.4%, between 2005 and 2006. Total expenditures increased $3,894,166, or 110.4%, between 2006 and 2007 and $176,297, or 5.3%, between 2005 and 2006.

Using this Annual Financial Report

This financial report contains the basic financial statements of the Authority, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the year?" This statement include all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by private sector companies. This basis of accounting takes into account all revenues and expenses during the year regardless of when the cash is received or paid.

This statement reports the Authority's net assets, however, in evaluating the overall position and financial viability of the Authority, non-financial information, such as the condition of Authority's capital assets, will also need to be evaluated.

Table 1 provides a summary of the Authority's net assets for 2007 and 2006 compared to 2005.

Table 1
Net Assets

	2007	2006	2007/2006 Change	2005	2006/2005 Change
Assets					
Current and Other Assets	$22,917,527	$31,919,438	$(9,001,911)	$32,566,147	$(646,709)
Capital Assets	14,595,968	4,999,823	9,596,145	1,181,826	3,817,997
Total Assets	37,513,495	36,919,261	594,234	33,747,973	3,171,288
Liabilities					
Other Liabilities	2,151,822	2,350,107	(198,285)	1,664,669	685,438
Long-Term Liabilities	59,585,000	64,015,000	(4,430,000)	66,675,000	(2,660,000)
Total Liabilities	61,736,822	66,365,107	(4,628,285)	68,339,669	(1,974,562)
Net Assets					
Invested in Capital Assets Net of Debt	14,595,968	4,999,823	9,596,145	1,181,826	3,817,997
Unrestricted	(38,819,295)	(34,445,669)	(4,373,626)	(35,773,522)	1,327,853
Total Net Assets	($24,223,327)	($29,445,846)	$5,222,519	($34,591,696)	$5,145,850

The increase in total assets between 2006 and 2007 was due to a decrease of cash and equivalents ($7.1 million) primarily related to the monies disbursed for the construction of the Performing Arts Center, a decrease in cash with fiscal and escrow agents ($1.9 million) as related to debt payments and disbursements for economic development incentives, and an increase in capital assets ($9.6 million) as construction progress additions. The decrease in liabilities between 2006 and 2007 was due principal payments on outstanding bonds ($4.4 million), a decrease in operating payables ($.4 million), a decrease in unearned income ($0.08 million), and an increase in contracts payable ($.3 million). Invested in capital assets net of debt increased between 2006 and 2007 due to construction in progress additions net of deletions ($9.6 million).

The increase in total assets between 2005 and 2006 was due to a decrease in cash and equivalents ($2.5 million), an increase in cash with fiscal and escrow agents ($1.8 million) as increased reserves related to debt covenants, an increase in capital assets ($3.8 million) as construction progress additions. The decrease in liabilities between 2005 and 2006 was due to an increase in operating payables ($.5 million), a decrease in unearned income ($.08 million), and increase in contracts payable ($.3 million) and to principal payments on outstanding bonds ($2.7 million). Invested in capital assets net of debt increased between 2005 and 2006 due to construction in progress additions net of deletions ($3.8 million).

Table 2 provides a summary of changes in the Authority's net assets for 2007 and 2006 as well as revenue and expense comparison to 2005.

Table 2
Changes in Net Assets

	2007	2006	2007/2006 Change	2005	2006/2005 Change
Revenues					
Operating Revenue					
Community development charge	$3,980,998	$3,787,475	$193,523	$3,832,243	($44,768)
Lease interest income	75,169	80,232	(5,063)	85,013	(4,781)
Village of New Albany income tax	5,540,432	3,814,264	1,726,168	4,508,139	(693,875)
Total operating revenue	9,596,599	7,681,971	1,914,628	8,425,395	(743,424)
Non-operating revenue					
Capital Grants – Performing Arts Center	2,231,378	0	2,231,378	13,000,000	(13,000,000)
Interest income	814,579	989,750	(175,171)	445,809	543,941
Unrealized income – Performing Arts Center	0	0	0	30,495	(30,495)
Total non-operating revenue	3,045,957	989,750	2,056,207	13,476,304	(12,486,554)
Total revenue	12,642,556	8,671,721	3,970,835	21,901,699	(13,229,978)
Expenses					
Operating expenses					
Advertising	406	0	406	61	(61)
Bank charges	0	0	0	76	(76)
Insurance	5,227	5,598	(371)	5,621	(23)
Accounting fees	15,939	13,014	2,925	15,076	(2,062)
Legal fees	8,366	14,789	(6,423)	10,359	4,430
Professional fees	3,406	1,993	1,413	3,931	(1,938)
Bond trustee fees	42,090	35,861	6,229	39,723	(3,862)
Remarketing fees	12,803	17,784	(4,981)	40,299	(22,515)
Amortization	63,774	63,774	0	63,774	0
Letter of credit fees	16,122	106,809	(90,687)	111,483	(4,674)
Total operating expenses	168,133	259,622	(91,489)	290,403	(30,781)
Non-operating expenses					
Interest expense	3,061,328	3,129,712	(68,384)	3,059,171	70,541
Unrealized loss – Performing Arts Center	0	30,496	(30,496)	0	30,496
Donation of capital assets	4,190,576	106,041	4,084,535	0	106,041
Total non-operating expenses	7,251,904	3,266,249	3,985,655	3,059,171	207,078
Total expenses	7,420,037	3,525,871	3,894,166	3,349,574	176,297
Change in net assets	5,222,519	5,145,850	76,669	18,552,125	(13,406,275)
Beginning net assets	(29,445,846)	(34,591,696)	5,145,850	(53,143,821)	18,552,125
Ending net assets	($24,223,327)	($29,445,846)	$5,222,519	($34,591,696)	$5,145,850

The increase in total revenues between 2006 and 2007 was due largely to an increase in the community development charge ($.2 million), income taxes ($1.7 million), capital grants ($2.2 million), and a decrease in interest ($.2 million). The increase in total expenses between 2006 and 2007 was due largely to the increase in donation of assets ($4.1 million) and the decreases in interest expense ($0.07 million) and letter of credit fees ($0.09 million).

The decrease in total revenues between 2005 and 2006 was due largely to a decrease in community development charges ($0.05 million), income taxes ($0.7 million) and capital grants ($13 million). The increase in total expenses between 2005 and 2006 was due largely to the increase in interest expense ($.07 million) and donation of assets ($0.1 million) offset by a decrease in remarketing fees ($0.02 million).

Capital Assets

At December 31, 2007 and 2006, the capital assets of the Authority consisted of construction in progress. Balances were $14,595,968 and $4,999,823 at December 31, 2007 and 2006, respectively. See Note 7 of the notes to the basic financial statements for more detailed information on the Authority's capital assets.

Debt Administration

The Authority finances construction in progress primarily through the issuance of bonds. At December 31, 2007 and 2006, debt outstanding was $59,585,000 and $64,015,000, respectively. See Note 10 of the notes to the basic financial statements for more detailed information on the Authority's debt obligations.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives, spends and invests. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Brent Bradbury, Chief Financial Officer, 8000 Walton Parkway, Suite 120, New Albany, Ohio, 43054.

New Albany Community Authority
Statement of Net Assets
December 31, 2007

Assets:	
Cash and cash equivalents	$4,541,248
Cash with fiscal and escrow agents	11,198,562
Community development charge receivable	3,993,998
Income tax receivable	549,211
Lease receivable	1,547,626
Infrastructure reimbursement receivable	985
Unamortized financing costs	1,085,897
Non-depreciable capital assets	14,595,968
Total assets:	$37,513,495
Liabilities:	
Contracts payable	$562,673
Accounts payable	360,456
Interest payable	851,067
Unearned income	377,626
Long term liabilities:	
Due within one year	2,130,000
Due in more than one year	57,455,000
Total liabilities:	61,736,822
Net Assets:	
Invested in capital assets, net of related debt	14,595,968
Unrestricted net assets	(38,819,295)
Total net assets:	($24,223,327)

See accompanying notes to the financial statements.

New Albany Community Authority

Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended December 31, 2007

Operating revenues:	
Community development charge	$3,980,998
Lease interest income	75,169
Village of New Albany income tax	5,540,432
Total operating revenues:	9,596,599
Operating expenses:	
Advertising	406
Insurance	5,227
Accounting fees	15,939
Legal fees	8,366
Professional fees	3,406
Bond trustee fees	42,090
Remarketing fees	12,803
Amortization	63,774
Letter of credit fees	16,122
Total operating expenses:	168,133
Operating income:	9,428,466
Non-operating revenues/(expenses):	
Capital Grants - Performing Arts Center	2,231,378
Interest income	814,579
Donation of Capital Assets	(4,190,576)
Interest expense	(3,061,328)
Total non-operating revenues/(expenses):	(4,205,947)
Net income:	5,222,519
Net assets at beginning of year	(29,445,846)
Net assets at end of year	($24,223,327)

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Cash Flows
For the Year Ended December 31, 2007

Increase/(decrease) in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from community development charge	$3,783,550
Cash received from village income tax	5,463,645
Cash received from lease	170,169
Cash payments for administrative expenses	(178,598)
Cash payments for letter of credit fees	(16,122)
Net cash provided by operating activities:	9,222,644
Cash flows from capital and related financing activities:	
Cash received for capital grants	2,231,378
Cash payments for debt service principal	(4,430,000)
Cash payments for debt service interest	(3,094,083)
Acquisition and construction of capital assets	(13,734,208)
Net cash used by capital and related financing activities:	(19,026,913)
Cash flows from investing activities:	
Interest	814,579
Net cash provided by investing activities:	814,579
Net decrease in cash and cash equivalents:	(8,989,690)
Cash and cash equivalents at beginning of year	24,729,500
Cash and cash equivalents at end of year	$15,739,810
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$9,428,466
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization	63,774
Changes in assets and liabilities:	
(Increase)/decrease in community development charge receivable	(197,448)
(Increase)/decrease in income tax receivable	(76,787)
(Increase)/decrease in lease receivable	170,169
Increase/(decrease) in contracts payable	283,698
Increase/(decrease) in accounts payable	(374,059)
Increase/(decrease) in unearned income	(75,169)
Net cash provided by operating activities:	$9,222,644

See accompanying notes to the financial statements.

New Albany Community Authority

Statement of Net Assets

December 31, 2006

Assets:	
Cash and cash equivalents	$11,641,911
Cash with fiscal and escrow agents	13,087,589
Community development charge receivable	3,796,550
Income tax receivable	472,424
Lease receivable	1,717,795
Infrastructure reimbursement receivable	53,498
Unamortized financing costs	1,149,671
Non-depreciable capital assets	4,999,823
Total assets:	$36,919,261
Liabilities:	
Contracts payable	$278,975
Accounts payable	734,515
Interest payable	883,822
Unearned income	452,795
Long term liabilities:	
Due within one year	1,930,000
Due in more than one year	62,085,000
Total liabilities:	66,365,107
Net assets:	
Invested in capital assets, net of related debt	4,999,823
Unrestricted net assets	(34,445,669)
Total net assets:	($29,445,846)

See accompanying notes to the financial statements.

New Albany Community Authority

Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended December 31, 2006

Operating revenues:	
Community development charge	$3,787,475
Lease interest income	80,232
Village of New Albany income tax	3,814,264
Total operating revenues:	7,681,971
Operating expenses:	
Insurance	5,598
Accounting fees	13,014
Legal fees	14,789
Professional fees	1,993
Bond trustee fees	35,861
Remarketing fees	17,784
Amortization	63,774
Letter of credit fees	106,809
Total operating expenses:	259,622
Operating income:	7,422,349
Non-operating revenues/(expenses):	
Interest income	989,750
Interest expense	(3,129,712)
Unrealized loss - Performing Arts	(30,496)
Donation of Capital Assets	(106,041)
Total non-operating revenues/(expenses):	(2,276,499)
Net income:	5,145,850
Net assets at beginning of year	(34,591,696)
Net assets at end of year	($29,445,846)

See accompanying notes to the financial statements.

New Albany Community Authority
Statement of Cash Flows
For the Year Ended December 31, 2006

Increase/(decrease) in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from community development charge	$3,817,923
Cash received from village income tax	3,535,112
Cash received from lease	170,232
Cash payments for administrative expenses	692,007
Cash payments for letter of credit fees	(106,809)
Net cash provided by operating activities:	8,108,465
Cash flows from capital and related financing activities:	
Cash payments for debt service principal	(2,660,000)
Cash payments for debt service interest	(3,145,088)
Acquisition and construction of capital assets	(3,928,158)
Net cash used by capital and related financing activities:	(9,733,246)
Cash flows from investing activities:	
Interest	989,750
Net cash provided by investing activities:	989,750
Net decrease in cash and cash equivalents:	(635,031)
Cash and cash equivalents at beginning of year	25,364,531
Cash and cash equivalents at end of year	$24,729,500
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$7,422,349
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization	63,774
Changes in assets and liabilities:	
(Increase)/decrease in community development charge receivable	30,448
(Increase)/decrease in income tax receivable	(279,152)
(Increase)/decrease in lease receivable	170,232
Increase/(decrease) in contracts payable	267,471
Increase/(decrease) in accounts payable	513,575
Increase/(decrease) in unearned income	(80,232)
Net cash provided by operating activities:	$8,108,465

See accompanying notes to the financial statements.

NOTE 1-DESCRIPTION OF THE ENTITY

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

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

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

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

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

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

The more significant of the Authority’s accounting policies are described below.

A. Basis of Presentation:
Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting:
The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. The statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Capital Assets (Construction in Progress)
Capital 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 2007 and 2006, the net interest expense incurred on Authority construction projects was insignificant.

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

NOTE 3-ACCUMULATED DEFICIT

At December 31, 2007 and 2006, the Authority had accumulated deficits of $24,223,327 and $29,445,846, respectively. This deficit is a result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publicly owned and operated community facilities. The Authority incurs the costs of constructing community facilities. The titles to these assets are then transferred to the community and the related costs are recorded as an expense. This deficit will be reduced and eliminated as outstanding debt is paid. See Note 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, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Authority by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

6. The State Treasurer's investment pool (STAR Ohio).

NOTE 4-CASH AND CASH EQUIVALENTS (continued)

The Authority may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;

2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State as to which there is no default of principal, interest, or coupons; and

3. Obligations of the Authority.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Authority has no deposit policy for custodial credit risk.

At year end December 31, 2007 and 2006, the carrying amounts of the Authority's deposits were $1,973,787 and $1,885,048, respectively. The bank balances were $1,973,787 and $1,902,438, respectively. The total bank balances were federally insured up to $100,000 and the remaining balances were either collateralized by investments held by a third party trustee not in the name of the Authority or were uninsured and uncollateralized.

Investments

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the Authority or the Authority's agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name.

NOTE 4-CASH AND CASH EQUIVALENTS (continued)

	Category 1	Category 2	Carrying/Fair Value	Weighted Average Maturity (Years)
2007				
Money Market	$0	$11,715,023	$11,715,023	< 1 year
General Electric Capital Corporation Discounted Commercial Paper	0	2,051,000	2,051,000	< 1 year
Total	$0	$13,766,023	$13,766,023	
2006				
Money Market	$0	$14,842,659	$14,842,659	< 1 year
Federal National Mortgage Association Discount Notes	8,001,793	0	8,001,793	< 1 year
Total	$8,001,793	$14,842,659	$22,844,452	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Authority manages it exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority limits its investments to money market accounts, General Electric Capital Corporation discounted commercial paper, and U.S. Government Securities. Investments in U.S. Government Securities and General Electric Capital Corporation discounted commercial paper were rated AAA by Standard and Poor's.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's investment policy allows investments in money market accounts, certificates of deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. For the year ended December 31, 2007, the Authority has invested 15% of its investments in commercial paper and 85% in money market accounts. For the year ended December 31, 2006, the Authority has invested 35% of its investments in U.S. Government Securities and 65% in money market accounts.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk.

All of the Authority's investments are either insured and registered in the name of the Authority or at least registered in the name of the Authority.

NOTE 5-CASH WITH FISCAL AND ESCROW AGENTS

At year end December 31, 2007 and 2006, the carrying amounts of the Authority's cash with fiscal and escrow agents were $11,198,562 and $13,087,589, 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 was levied at 5 mills and 5 mills for 2007 and 2006, respectively. Charge revenue recognized represents the amount levied as of October 1 of the preceding year.

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

The 2007 and 2006 assessed values of all property within the District were $798,799,600 and $757,720,400, respectively. The 2007 and 2006 receivables recognized based on these figures were $3,993,998 and $3,796,550, respectively.

NOTE 7-CAPITAL ASSETS

Changes in construction in progress during 2006 were as follows:

Construction in Progress	Balance at 12/31/05	Additions	Transfers	Balance at 12/31/06
Central College	$106,041	$0	$106,041	$0
Economic Development Fund	0	20,000	0	20,000
Performing Arts Center	1,075,785	3,904,038	0	4,979,823
Total	$1,181,826	$3,924,038	$106,041	$4,999,823

Changes in construction in progress during 2007 were as follows:

Construction in Progress	Balance at 12/31/06	Additions	Transfers	Balance at 12/31/07
Economic Development Fund	$20,000	$4,170,576	$4,190,576	$0
Performing Arts Center	4,979,823	9,616,145	0	14,595,968
Total	$4,999,823	$13,786,721	$4,190,576	$14,595,968

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.

NOTE 8-DIRECT FINANCING LEASE (continued)

The amortization of the lease payments as of December 31, 2007 are as follows:

Year	Principal	Interest	Total
2008	$100,000	$69,826	$169,826
2009	110,000	64,200	174,200
20010	115,000	57,600	172,600
2011	120,000	50,700	170,700
2012	130,000	43,500	173,500
2013-2017	595,000	91,800	686,800
Total	$1,170,000	$377,626	$1,547,626

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 800 acres of land that the New Albany Company is developing into a business campus. The Village of New Albany Income Tax is used to make payments on the Multi-Purpose Infrastructure Bonds described in Note 10.

NOTE 10-DEBT

Changes in the Authority's long-term liabilities during 2007 and 2006 consisted of the following:

	Outstanding 12/31/2006	Additions	Reductions	Outstanding 12/31/2007	Amounts Due Within One Year
Community Facilities Refunding Bonds, Series B, 2001, $52,965,000, 3-5.5%	$48,950,000	$0	$1,335,000	$47,615,000	$1,430,000
Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series C, $16,100,000, 2-4%	13,800,000	0	$3,000,000	10,800,000	600,000
Wellness Center Revenue Bonds, 1996, $2,000,000, 4-6%	1,265,000	0	95,000	1,170,000	100,000
Total	$64,015,000	$0	$4,430,000	$59,585,000	$2,130,000

NOTE 10-DEBT (continued)

	Outstanding 12/31/2005	Additions	Reductions	Outstanding 12/31/2006	Amounts Due Within One Year
Community Facilities Refunding Bonds, Series B, 2001, $52,965,000, 3-5.5%	$50,220,000	$0	$1,270,000	$48,950,000	$1,335,000
Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series C, $16,100,000, 2-4%	15,100,000	0	1,300,000	13,800,000	500,000
Wellness Center Revenue Bonds, 1996, $2,000,000, 4-6%	1,355,000	0	90,000	1,265,000	95,000
Total	$66,675,000	$0	$2,660,000	$64,015,000	$1,930,000

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 $2,729,140 of bond proceeds and a letter of credit from JP Morgan Chase (formerly Bank One, N.A.) in the amount of $2,729,140. As of December 31, 2007 and 2006, the reserve account carrying amounts were $5,458,280 and $5,458,280, respectively.

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

Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series C: In 2000, the Authority issued the Multi-Purpose Infrastructure Improvement Bonds, Series B in the amount of $16,700,000. The proceeds of the bonds were used to currently refund Multi-Purpose Infrastructure Improvement Bonds, Series A and for construction of infrastructure in the New Albany Economic Opportunity Zone. In 2004, the Authority current refunded Series B bonds with a Series C issuance of $16,100,000. Interest rates range from 2 to 4%. The bonds have a final stated principal maturity of February 1, 2025, with mandatory principal redemptions on February 1 in the years 2004 through 2024. The Authority's sole source of repayment for these bonds is from income taxes on businesses in Phase I and Phase II of the Economic Opportunity Zone. The Authority receives 30% and 50%, respectively, from Phase I and Phase II of the gross income tax revenues collected by the Village of New Albany for the Economic Opportunity Zone. The Authority initially had credit and liquidity support for the bonds in an irrevocable standby letter of credit in the amount of $16,219,979 with Key Bank. As of December 31, 2007 and 2006, the outstanding amounts of the irrevocable standby letter of credit were $10,880,482 and $13,902,838, respectively.

NOTE 10-DEBT (continued)

Long-term debt requirements for the Community Facilities Refunding Bonds as of December 31, 2007 are as follows:

Year	Principal	Interest	Total
2008	$1,430,000	$2,463,784	$3,893,784
2009	1,690,000	2,403,724	4,093,724
20010	1,775,000	2,319,224	4,094,224
2011	1,875,000	2,241,124	4,116,124
2012	2,030,000	2,156,748	4,186,748
2013-2017	12,010,000	8,983,818	20,993,818
2018-2022	16,125,000	5,373,200	21,498,200
2023-2027	10,680,000	908,960	11,588,960
Total	$47,615,000	$26,850,582	$74,465,582

Long-term debt requirements for the Wellness Center Revenue Bonds as of December 31, 2007 are as follows:

Year	Principal	Interest	Total
2008	$100,000	$69,826	$169,826
2009	110,000	64,200	174,200
20010	115,000	57,600	172,600
2011	120,000	50,700	170,700
2012	130,000	43,500	173,500
2013-2017	595,000	91,800	686,800
Total	$1,170,000	$377,626	$1,547,626

Long-term debt requirements for the Multi-Purpose Infrastructure Improvement Bonds as of December 31, 2007 are as follows:

Year	Principal	Interest	Total
2008	$600,000	$564,000	$1,164,000
2009	600,000	540,000	1,140,000
20010	600,000	516,000	1,116,000
2011	600,000	492,000	1,092,000
2012	600,000	468,000	1,068,000
2013-2017	3,600,000	1,940,000	5,540,000
2018-2022	4,200,000	1,108,000	5,308,000
Total	$10,800,000	$5,628,000	$16,428,000

NOTE 11-PERFORMING ARTS CENTER

In January 2005, the Authority entered into an agreement with the Village of New Albany, Plain Township, Plain Local School District, and the New Albany Community Foundation to construct the Performing Arts Center (PAC) in the Village of New Albany. In February 2005, the Authority received $13 million ($5 million from Plain Local School District and $8 million from the Village of New Albany and Plain Township) for project costs. In 2006, the New Albany Foundation committed an additional $2,000,000 to the project in the form of a letter of credit. In May 2007, the New Albany Foundation transferred $2,000,000 to the PAC fund and the $2,000,000 LOC was returned. In October 2007, additional funding of $231,377 was received from the New Albany Foundation for additional improvements to the PAC. This project is expected to be completed in early 2008.

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

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

We have audited the accompanying financial statements of the business-type activities of the New Albany Community Authority, Franklin County, Ohio (the Authority), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

April 11, 2008

Mary Taylor, CPA
Auditor of State

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
JULY 8, 2008

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