



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

CONCORD/SCIOTO COMMUNITY AUTHORITY
DELAWARE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2011 and 2010
Fiscal Years Audited Under GAGAS: 2011 and 2010



Dave Yost • Auditor of State

Board of Trustees
Concord/Scioto Community Authority
585 South Front Street
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Concord/Scioto Community Authority, Delaware County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 Concord/Scioto Community Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 16, 2013

This page intentionally left blank.

Concord/Scioto Community Authority
Table of Contents
For the Years Ended December 31, 2011 and 2010

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Assets as of December 31, 2011 and 2010.....	7
Statement of Revenues, Expenses and Changes in Net Assets for the Years Ended December 31, 2011 and 2010.....	8
Statement of Cash Flows for the Years Ended December 31, 2011 and 2010.....	9
Notes to the Basic Financial Statements.....	10
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government <i>Auditing Standards</i>	19



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Auditor's Report

Board of Trustees
Concord/Scioto Community Authority
Delaware County, Ohio
585 South Front Street
Columbus, Ohio 43215

We have audited the accompanying financial statements of the business-type activities of Concord/Scioto Community Authority, Delaware County, Ohio, (the Authority), as of and for the years ended December 31, 2011 and 2010, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 Concord/Scioto Community Authority, as of December 31, 2011 and 2010, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, the Authority has defaulted on a scheduled bond principle payment due to insufficient cash. Note 12 describes management's plan regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read in conjunction with this report in considering the results of our audit.

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
August 10, 2012

**CONCORD/SCIOTO COMMUNITY AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011 and 2010
(UNAUDITED)**

The management's discussion and analysis of the Concord/Scioto Community Authority, Delaware, Ohio, (the Authority), financial performance provides an overall review of the Authority's financial activities for the fiscal years ended December 31, 2011 and 2010. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. Net assets at December 31, 2011 totaled \$20,587,740. Net assets at December 31, 2010 totaled \$16,634,955. The positive net asset balances are caused by continual contribution by Delaware County to the construction of the waste-water treatment plant for capital assets acquired and improved, which were donated upon completion or acquisition. The Authority accumulates infrastructure improvement costs that are reflected in the Statements of Net Assets, upon closing, as capital assets.
2. The Authority's debt did not change during fiscal years 2011, although it was scheduled to be reduced by \$455,000. The Authority did not have sufficient cash to make the normal scheduled bond principal payment in 2011. In 2010, the Authority made a scheduled bond principal payment of \$425,000. The Authority's debt will be paid through the collection of tap fees and community development charges imposed on the residences benefiting from the capital asset once development begins in the district.

Overview of the Financial Statements

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

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

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

**CONCORD/SCIOTO COMMUNITY AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011 and 2010
(UNAUDITED)
(Continued)**

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

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

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

Financial Analysis

Table 1 provides a summary of Authority's net assets for fiscal years 2011, 2010, and 2009.

Table 1 Net Assets			
	2011	2010	2009
Assets:			
Current Assets	\$ 1,306,723	\$ 3,642,411	\$ 4,079,939
Capital Assets	<u>34,685,974</u>	<u>27,661,340</u>	<u>24,290,915</u>
Total Assets	35,992,697	31,303,751	28,370,854
Liabilities:			
Current Liabilities	2,354,957	1,133,796	891,812
Long Term Liabilities	<u>13,050,000</u>	<u>13,535,000</u>	<u>13,990,000</u>
Total Liabilities	15,404,957	14,668,796	14,881,812
Net Assets:			
Investment in capital assets, net of related debt	20,174,919	13,460,978	9,875,915
Unrestricted	<u>412,821</u>	<u>3,173,977</u>	<u>3,613,127</u>
Total Net Assets	<u>\$ 20,587,740</u>	<u>\$ 16,634,955</u>	<u>\$ 13,489,042</u>

Net Assets: Net assets represent the difference between assets and liabilities. The Authority had net assets of \$20,587,740 in 2011 and \$16,634,955 in 2010 and \$13,489,042 in 2009.

**CONCORD/SCIOTO COMMUNITY AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011 and 2010
(UNAUDITED)
(Continued)**

Table 2 reflects the changes in net assets for fiscal years 2011, 2010, and 2009.

Table 2
Change in Net Assets

	2011	2010	2009
Operating Revenue	1,016,460	\$302,400	\$355,806
Operating Expenses	50,454	53,520	89,159
Non-Operating Revenues/Expenses			
Earnings on Investments/Other Income	393	1,928	6,584
Income Before Contributions	966,399	250,808	273,231
Intergovernmental Transfers In	2,986,386	2,895,105	7,960,047
Net Income After Transfers	\$3,952,785	\$3,145,913	\$8,233,278

Change in Net Assets: The Authority had an increase in net assets for all three years presented. The increase is due to advances made by Delaware County to the construction of the Lower Scioto Water Reclamation Facility (a waste water treatment plant). The County has contributed \$2,986,386, \$2,895,105 and \$7,960,047 for the years 2011, 2010 and 2009, respectively to the Authority primarily to pay the cost of construction. The County's contributions were necessary to cover shortfalls in previously expected sales of sewer tap fees. Sewer tap fees did not generate expected revenues because of the downturn in home construction and the related development it generates.

Budgeting

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

Capital Assets

The Authority's capital assets consist of community infrastructure facilities in the form of roads, water lines, and sewer lines. These assets are not capitalized or depreciated because upon completion or acquisition, and upon approval by the receiving local government, these assets are donated and are recognized as contributed capital on the financial statements of the Authority.

Debt

The Authority issued Community Facilities Bonds to finance part of the construction of community infrastructure facilities more specifically the Lower Scioto Water Reclamation Facility. The debt service has an annual payment requirement and will be paid from revenues generated from the sale of sewer tap fees, the Community Development Charges and County contributions. During construction of the Lower Scioto Water Reclamation Facility, note interest is accrued to the cost of the plant. During 2011 and 2010, \$979,300 and \$1,004,091 respectively, were added to capitalized construction interest. During the year ended December 31, 2011, \$232,534 of unpaid interest was recorded.

**CONCORD/SCIOTO COMMUNITY AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011 and 2010
(UNAUDITED)
(Continued)**

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to John Parns, Treasurer, Concord/Scioto Community Authority, 585 South Front Street, Suite 220, Columbus, Ohio 43215, 614 224-3078.

Concord/Scioto Community Authority
Statement of Net Assets
As of December 31, 2011 and 2010

	2011	2010
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,303,388	\$ 3,639,076
Prepaid expense	3,335	3,335
Total current assets:	\$ 1,306,723	\$ 3,642,411
Non-Current Assets:		
Land	\$ 1,502,774	\$ 1,502,774
Construction in Progress	26,847,142	21,036,110
Capitalized Interest Cost	4,153,168	3,173,868
Prepaid Expense	2,182,890	1,948,588
Total non-current assets:	\$ 34,685,974	\$ 27,661,340
Total Assets:	\$ 35,992,697	\$ 31,303,751
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 500,455	\$ 307,521
Retainage Payable	521,055	210,362
Unpaid Interest	393,447	160,913
Bonds Payable - Current Portion	940,000	455,000
Total Current Liabilities:	\$ 2,354,957	\$ 1,133,796
Long Term Liabilities:		
Bonds Payable - Long Term Portion	13,050,000	13,535,000
Total liabilities:	15,404,957	14,668,796
Net Assets:		
Invested in capital assets, net of related debt	\$ 20,174,919	\$ 13,460,978
Unrestricted net assets	412,821	3,173,977
Total net assets:	\$ 20,587,740	\$ 16,634,955

See accompanying notes to the basic financial statements.

Concord/Scioto Community Authority
Statement of Revenues, Expenses and Changes in Net Assets
For Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenues:		
Tap fees	\$ 1,016,460	\$ 302,400
Total operating revenues:	1,016,460	302,400
Operating expenses:		
Trustee fees	3,335	3,335
Treasurer fees	6,932	9,007
Administrator expenses	15,000	26,250
Legal fees	12,337	8,264
Sewer tap fees	10,050	3,780
Insurance expense	2,800	2,437
Miscellaneous expense	0	447
Total operating expenses:	50,454	53,520
Operating income:	966,006	248,880
Non-operating revenues/(expenses):		
Interest income	393	1,928
Total non-operating revenues/(expenses):	393	1,928
Net income before transfers:	966,399	250,808
Intergovernmental transfers		
Transfers from Delaware County	2,986,386	2,895,105
Net income after transfers:	3,952,785	3,145,913
Net assets at beginning of year	16,634,955	13,489,042
Net assets at end of year	\$ 20,587,740	\$ 16,634,955

See accompanying notes to the basic financial statements.

Concord/Scioto Community Authority
Statement of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash received from payment of tap fees	\$ 1,016,460	\$ 302,400
Cash payment for trustee fees	(3,335)	(6,670)
Cash payment for treasurer fees	(6,932)	(9,007)
Cash payments for administrator expenses	(23,750)	(25,000)
Cash payments for legal fees	(10,931)	(6,822)
Cash payments for sewer tap fees	(10,050)	(7,725)
Cash payments for insurance	(2,800)	(2,437)
Cash payment for miscellaneous expenses	-	(447)
Net cash provided by operating activities:	958,662	244,292
Cash flows from investing activities:		
Interest, dividends and other revenues	393	1,928
Net cash provided by capital and related financing activities:	393	1,928
Cash flows from capital and related financing activities:		
Payments from Delaware County	2,986,386	2,895,105
Interest paid on bonds	(746,766)	(1,009,050)
Payments to construction contractor	(4,734,988)	(1,456,628)
Payments to construction management	(91,335)	(521,160)
Payments to others for construction items	(708,040)	(170,350)
Payments of principal to bond holders	-	(425,000)
Net cash used for investing activities:	(3,294,743)	(687,083)
Net decrease in cash and cash equivalents:	(2,335,688)	(440,863)
Cash and cash equivalents at beginning of year	3,639,076	4,079,939
Cash and cash equivalents at end of year	\$ 1,303,388	\$ 3,639,076
Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	\$ 966,006	\$ 248,880
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
(Increase)/Decrease in prepaid expenses	-	(3,335)
(Decrease)/Increase in accounts payable	(7,344)	(1,253)
Net cash provided by operating activities:	\$ 958,662	\$ 244,292

See accompanying notes to the basic financial statements.

Concord/Scioto Community Authority
Delaware County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 1 - REPORTING ENTITY

The Concord/Scioto Community Authority, Delaware County, Ohio (the "Authority") is a "community authority" created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On March 1, 2007, a petition (the Petition) was filed for creation of the Authority with the Board of County Commissioners of Delaware County, Ohio, and the Petition was accepted by a resolution of the Board on March 22, 2007. The Petition, which may be subject to amendment or change, allows the Authority to finance the costs of publicly owned and operated community facilities with assessed Community Development Charges. The Petition was adopted by Resolution No. 07-331 on March 22, 2007.

By its Resolution, the County Commissioners determined that the new community authority would be conducive to the public health, safety, convenience and welfare, and that it was intended to result in the development of a new community as described in the Act. The Authority thereby was organized as a body corporate and politic in the State.

The Authority is governed by a seven member board of trustees. At inception, the Board of County Commissioners of Delaware County appointed four of the trustees and the remaining three trustees were appointed by the Developer. All appointed trustees have since been replaced by elected citizen members who are residence of the community authority.

The new community authority is initially comprised of four parcels of property consisting of 1,128 acres of undeveloped land located in the Townships of Concord and Scioto in Delaware County, Ohio. The 1,128 acres of land is generally located east of Russell Road, west of Dublin Road and State Route 745, south of Fry Road and north of Moore Road. The entire project includes the construction of waste-water sanitary treatment plant, waterline, sanitary sewer, main line sanitary sewer, storm sewer, bike path, roads and street improvements.

In accordance with the Act and the Petition, the Authority can levy a community development charge up to 10.25 mills on the assessed value of the land and improvements within the Authority. The need and amount of the charge is determined annually by the Board of Trustees of the Authority.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

A. Basis of Presentation

The Authority's basic financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. The Authority uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Concord/Scioto Community Authority
Delaware County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Measurement Focus and the Basis of Accounting

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

Net Assets are segregated into investment in capital assets, net of related debt, and unrestricted components.

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

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

C. Cash and Investments

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

D. Capital Assets

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

E. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. The Authority did not have any restricted net assets at fiscal years end 2011 and 2010.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are development charges. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the Authority. All revenues and expenses not meeting this definition are reported as non-operating.

Concord/Scioto Community Authority
Delaware County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - NET ASSETS

At December 31, 2011 and 2010, the Authority had accumulated net assets of \$20,587,740 and \$16,634,955, respectively. These balances are 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. Once the Lower Scioto Water Reclamation Facility is deemed completed and accepted by the Authority, it is the plan of the Authority to transfer title of the facility to Delaware County.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

State statutes permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.

Concord/Scioto Community Authority
Delaware County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - CONTINUED

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) of this section and repurchase agreement secured by such obligation, provided that investments in securities described in this division are made only through eligible instructions.
6. The State Treasurer's investment pool (STAR Ohio).

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

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

Investments in stripped principal or interest obligations, reverse purchase 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 of the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of the transfer from the custodian.

Deposits

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned. The Authority did not have any deposits at December 31, 2011 and 2010.

Investments

The Authority's only investments are in money market funds. The fair value of the Authority's money market funds at December 31, 2011 and 2010, were \$1,303,388 and \$3,639,076, respectively, and the carrying amounts were the same. These amounts are considered cash equivalents and are reflected as cash on the Statements of Net Assets.

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

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

Concord/Scioto Community Authority
Delaware County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 5 – SEWER TAP FEES

In order to provide for a source of revenues while the Lower Scioto Water Reclamation Facility was under construction, Delaware County convey 4,820 sewer taps for the Authority to sell anywhere within the County. The Authority is limited in selling no more than 322 sewer taps in any year. Any unsold sewer taps can be carried over to be sold in the subsequent year. The normal sale price for each sewer tap is \$5,900, although the Authority can discount the price as it see fit. For the year ended December 31, 2011 and 2010, the Authority has been selling sewer taps for a price of \$5,400. The amount of revenue generated for sale of sewer tap fees was \$1,016,460 and \$302,400 for the years ended December 31, 2011 and 2010, respectively.

NOTE 6 – COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community development charge up to 10.25 mills on the assessed value of all property within the developed authority. For the years ended December 31, 2011 and 2010, no community development charge has yet been levied by the Authority.

NOTE 7 – CAPITAL ASSETS

The capital assets at December 31, 2011 and 2010 represents the cost to substantially construct, including accrued interest carry cost during construction, and related land for the Lower Scioto Water Reclamation Facility which has been under construction since 2007. While substantially completed, the plant has not been considered totally complete by the Authority and therefore has not been accepted. Once completed and accepted, it is the Authority's plan to turn the title and responsibility to operate the facility over to Delaware County.

2010	Balance January 1	Additions	Reductions	Balance December 31
Land	\$1,502,774	\$0	\$0	\$1,502,774
Construction in Progress	\$18,956,634	\$2,079,476	\$0	\$21,036,110
Total Non-Depreciable Capital Assets	\$20,459,408	\$2,079,476	\$0	\$22,538,884

2011	Balance January 1	Additions	Reductions	Balance December 31
Land	\$1,502,774	\$0	\$0	\$1,502,774
Construction in Progress	\$21,036,110	\$5,834,307	(\$23,275)	\$26,847,142
Total Non-Depreciable Capital Assets	\$22,538,884	\$5,834,307	(\$23,275)	\$28,349,916

NOTE 8 – RISK POOL MEMBERSHIP

Prior to 2009, the Authority belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Concord/Scioto Community Authority
Delaware County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 8 – RISK POOL MEMBERSHIP - CONTINUED

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 41.5% (40% through November 1, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively. The Authority participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 74 and 65 members as of December 31, 2011 and 2010 respectively. The Authority does not participate in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010, and include amounts for both OPRM and OPHC:

	2011		2010	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,501,280	\$1,459,791	\$12,036,541	\$1,355,131
Liabilities	(5,328,761)	(1,283,527)	(4,845,056)	(1,055,096)
Members’ Equity	<u>\$7,172,519</u>	<u>\$176,264</u>	<u>\$7,191,485</u>	<u>\$300,035</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

Concord/Scioto Community Authority
Delaware County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 9 - LONG-TERM OBLIGATIONS

The Authority's long-term obligations activity for the years ended December 31, 2011 and 2010 was as follows:

Community Facilities Bonds – Series 2007A	Balance January 1	Additions	Reductions	Balance December 31	Due within one year
Year:					
2010	\$14,415,000	\$0	\$425,000	\$13,990,000	\$455,000
2011	\$13,990,000	\$0	\$0	\$13,990,000	\$940,000

Community Facilities Bonds, Series 2007A

On November 15, 2007, the Authority issued \$14,600,000 in Community Facilities Bonds which were issued for the purpose of acquiring land and construct the Lower Scioto Water Reclamation Facility. The bond agreement was amended through subsequent Amendments.

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

The interest rate on the bonds is 7% and they have a 20 year maturity. Interest is payable on May 1 and November 1 of each year and is based on a 360 day year and twelve 30-day months. Principal payments are due from the mandatory sinking fund on November 1 of each year at a price equal to 100% of each year.

The Series 2007A Bonds are subject to optional redemption prior to their stated maturity on any date on or after November 1, 2017, following thirty (30) days advance written notice to the Trustee, by and at the sole option of the Authority, either in whole or in part at par plus accrued interest to the redemption date; provided that, following such optional redemption, each Holder of Series 2007A Bonds shall hold not less than \$100,000 in principal amounts of Series 2007A Bonds.

Scheduled mandatory principal payment for the next five years for the Series 2007A Bonds is as follows:

<u>Year</u>	<u>Principal Amount</u>
2012	\$940,000
2013	520,000
2014	555,000
2015	595,000
2016	635,000
Thereafter	<u>10,745,000</u>
	13,990,000

Concord/Scioto Community Authority
Delaware County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 9 - LONG-TERM OBLIGATIONS - CONTINUED

Because of the poor economic climate, \$232,534 of the scheduled November 1, 2011 interest payment and \$455,000 of the scheduled principal payment were not paid by year end. This is an Event of Default and the Trustee has the right to sue upon the bonds in an Ohio court and may seek the appointment of a receiver to administer the Authority's revenues (but may not take possession of the Authority's capital assets). In addition, the holders of 25% or more of the Authority's bonds have a right to require the Trustee to take these actions.

The Bond Trust Agreements provide that if the Authority does not have enough money to pay its debt service requirements, the bonds in default will continue to be an obligation of the Authority until the bonds are "fully paid." Therefore, non-payment of the Authority's bonds will not extinguish the Authority's obligation to pay debt service. The outstanding bonds will continue to accrue interest at a rate of 7% until they are paid in full. As future sewer tap fees and community development charges become available to pay debt services, the future revenues will be used in the following order of priority:

1. Pay administrative expenses of the Authority,
2. Pay the construction management fee of the developer and any debt service on the Authority's bonds (including previously unpaid accrued interest, previously unpaid principal, and current interest and principal payments) on an equal basis.

NOTE 10 - RELATED PARTY

The Petition for creation of the Authority pursuant to Chapter 349 of the Ohio Revised Code was filed with the Delaware County Commissioners by Concord/Scioto Development, LLC (the Developer).

The Authority has an "Infrastructure Acquisition and Construction Agreement" with the Developer to acquire and construct the infrastructure of the Authority's territory for which it was established. Under this agreement the Developer selected contractors and signed contracts for the construction of the Authority's infrastructure. Payments to contractors by the Authority were made directly with contractors. The Developer supervised and approved all construction work including construction company draws of funds.

Community Facilities Bonds, series 2007A totaling \$14,600,000 were issued to provide funds to acquire and construct community facilities and to develop land in connection with the same. Cheryl A. Kenney, the spouse of Donald Kenney, a principal in Triangle Properties, Inc. purchase \$1,400,000 of the bonds. Charles A. Vince, a principal in Triangle Properties, Inc. purchase \$300,000 of the bonds.

NOTE 11 - SUBSEQUENT EVENT

The Authority is obligated to Delaware County to design and construct a multimillion dollar wastewater treatment plant through an intergovernmental cooperation agreement being paid for through a bond issued secured by Delaware County. The Authority has contracted with a developer to deliver the project, who has in turn contracted with Kokosing Construction Company, Inc ("Kokosing") to design and construct the project.

Upon substantial completion of the project, Delaware County takes ownership and is solely responsible for operating and maintaining the improvements from that point forward. Delaware County is providing all project inspection and approval/disapproval of all Kokosing invoices.

Kokosing has recently made a claim against the developer for additional money for, among other things, additional startup and testing of the treatment plant and delay damages due to over-inspection and prolonged design and submittal review. Kokosing also claims that it is due over one million dollars in uncontested invoices which have not been paid.

Concord/Scioto Community Authority
Delaware County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 11 – SUBSEQUENT EVENT - CONTINUED

On June 28, 2012, the Authority, Delaware County, the Developer and Kokosing negotiated a mediation and arbitration agreement whereby Delaware County and Kokosing are identified as the real parties of interest, who will mediate the dispute regarding construction of the waste-water treatment plant. If the mediation is not successful, Kokosing and Delaware County will submit their dispute to binding arbitration. The Authority and the Developer are not parties to the mediation or arbitration. The arbitration panel is not empowered to make an award on behalf of or against the Authority or Developer. The agreement also calls for the Authority and the Developer to pass through any monetary award to or from Delaware County and/or Kokosing.

NOTE 12 – MANAGEMENT PLAN

The Authority's recent cash flow challenges have been due primarily to a small amount of tab fee sales resulting from a slowdown in the new construction market. Tap fees sales have continued to increase since 2010 and are expected to continue increasing in the future as construction begins to grow.

As a result, management has implemented the following plan in an attempt to make future scheduled debt payments:

- Promote new construction within the district.
- Request loan repayment from Delaware County.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Concord/Scioto Community Authority
Delaware County, Ohio
585 South Front Street
Columbus, Ohio 43215

To the Board of Trustees:

We have audited the financial statements of the business-type activities of Concord/Scioto Community Authority, Delaware County, (the Authority), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 10, 2012, wherein we noted the Authority defaulted on a scheduled principle bond payment due to insufficient cash. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Authority. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
August 10, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

CONCORD/SCIOTO COMMUNITY AUTHORITY

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 29, 2013**