

**HICKORY CHASE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017



Dave Yost • Auditor of State

Board of Trustees
Hickory Chase Community Authority
3800 Municipal Way
Hillard, Ohio 43026

We have reviewed the *Independent Auditor's Report* of the Hickory Chase Community Authority, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. 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 Hickory Chase 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

September 12, 2018

This page intentionally left blank.

**HICKORY CHASE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 5
Basic Financial Statements:	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to the Basic Financial Statements.....	9 - 16
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17 - 18

This page intentionally left blank.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Hickory Chase Community Authority
Franklin County
3800 Municipal Way
Hilliard, Ohio 43026

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Hickory Chase Community Authority, Franklin County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Hickory Chase Community Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hickory Chase Community Authority, Franklin County, Ohio, as of December 31, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, on our consideration of the Hickory Chase Community Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hickory Chase Community Authority's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 28, 2018

**HICKORY CHASE COMMUNITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The Management's Discussion and Analysis of the financial performance of the Hickory Chase Community Authority (the "Authority") provides an overall review of the Authority's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the Authority's financial performance.

FINANCIAL HIGHLIGHTS

1. The Authority incurred long term debt of \$25,760,000 in infrastructure improvement revenue bonds on April 29, 2008, bearing interest at 6.75% and 7.0% per annum with a final maturity of December 1, 2038. The Authority's debt is payable from the Pledged Receipts consisting of (i) service payments in lieu of taxes, (ii) Community Development Charges, and (iii) Impact Fees collected from building permits.
2. Net position at December 31, 2017 totaled \$(19,789,988).
3. Completed public improvements were donated to the City of Hilliard (the "City") upon completion in December 2010.
4. Community Development Charges of \$122,925 were imposed on the property for calendar year 2017, payable in 2018.
5. The TIF ordinance was approved by the State of Ohio on March 22, 2011. Service payments of \$1,286,496 were received by the Authority during 2017. Service payments of \$424,581 representing all amounts due through the second half of 2017, are currently due and payable to the Authority.
6. During 2017, the City collected \$936,000 in Impact Fees from building permits issued by the City for residential units within the Multi-Family Site within the District. The impact fees were transferred to the Authority during August 2017.
7. All interest payments due on the Bonds have been paid through December 1, 2017.
8. On August 22, 2013, the property was sold at Special Master Sale to Greenwich Investors Hickory Chase, LLC for \$8,260,000. The purchaser was granted a credit for the outstanding Community Development Charges totaling \$6,032,418.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – (i) Management's Discussion and Analysis and (ii) the basic financial statements consisting of a *Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows;* and related footnotes. The Statement of Net Position represents the financial position of the Authority and provides information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Position.

**HICKORY CHASE COMMUNITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net financial position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

Summary Statement of Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets:			
Current assets	\$ 4,466,040	\$ 3,873,168	\$ 3,291,855
Total assets	<u>4,466,040</u>	<u>3,873,168</u>	<u>3,291,855</u>
Liabilities:			
Current liabilities	581,522	390,912	275,990
Long-term debt	<u>23,127,000</u>	<u>23,557,000</u>	<u>23,704,000</u>
Total Liabilities	<u>23,708,522</u>	<u>23,947,912</u>	<u>23,979,990</u>
Deferred inflow of resources:			
Special assessment to be levied for the next fiscal year	<u>547,506</u>	<u>2,579,943</u>	<u>2,585,133</u>
Total deferred inflows	<u>547,506</u>	<u>2,579,943</u>	<u>2,585,133</u>
Net Position			
Restricted	3,913,867	1,287,856	706,716
Unrestricted	<u>(23,703,855)</u>	<u>(23,942,543)</u>	<u>(23,979,984)</u>
Total Net Position	<u>\$ (19,789,988)</u>	<u>\$ (22,654,687)</u>	<u>\$ (23,273,268)</u>

Bond proceeds were used to finance the District's infrastructure improvements and other administrative costs of the Authority. Completed infrastructure improvements were donated to the City of Hilliard, Ohio, in 2010.

Summary Statement of Revenues, Expenses, and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 4,624,203	\$ 2,768,554	\$ 2,770,118
Operating expenses	<u>136,678</u>	<u>503,052</u>	<u>441,510</u>
Operating income	4,487,525	2,265,502	2,328,608
Non-operating expenses	<u>(1,622,826)</u>	<u>(1,646,921)</u>	<u>(1,647,212)</u>
Change in net position	<u>\$ 2,864,699</u>	<u>\$ 618,581</u>	<u>\$ 681,396</u>

Service Payments due to the Authority for 2017, 2016, and 2015 partially offset debt service and the Authority's operating expenses for 2017, 2016, and 2015.

**HICKORY CHASE COMMUNITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Budgeting

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

Capital Assets

The Authority's capital assets consisted of infrastructure improvements financed with the Series 2008 bonds. Upon completion of the improvements in December 2010, the improvements were donated to the City of Hilliard, Ohio, pursuant to the Developer's Agreement.

Long-Term Debt

The Authority issued Infrastructure Improvement Revenue Bonds, Series 2008, totaling \$25,760,000 dated April 29, 2008 bearing interest at 6.75% and 7.00% per annum with a final maturity of December 1, 2038. This bond issuance represents 100% of the Authority's long-term debt balance. The 2008 bonds are subject to optional, mandatory sinking fund, and extraordinary mandatory redemption requirements. On June 1, 2012, \$1,958,000 in Bonds were redeemed from funds remaining in the Project Fund after completion of the improvements.

The bond proceeds were used to fund infrastructure improvements including improvements to roads within the District, improvements to storm and sanitary sewers, pedestrian facilities, traffic control, landscaping and irrigation. The debt service will be paid annually beginning December 1, 2008 by the Capitalized Interest Fund through June 1, 2011 and by the Pledged Revenues thereafter.

Pledged Revenues

Debt service charges on the bonds are payable from the Pledged Receipts which include Available Service Payments, Impact Fees, and Community Development Charges.

The TIF ordinance was approved by the State of Ohio on March 22, 2011. Service Payments totaling \$1,286,496 were transferred to the Authority during 2017. Community Development Charges of \$122,925 were imposed on the property for calendar year 2017, payable in 2018.

Economic Factors and Future Outlook

It is anticipated that current and future Community Development Charges and Service Payments will be available to the Authority to fund debt service and administrative expenses.

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, creditors, and elected officials 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 the Authority's Administrator, Argus Growth Consultants, Ltd., at 100 South Third Street, Columbus, Ohio 43215.

HICKORY CHASE COMMUNITY AUTHORITY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

	2017
CURRENT ASSETS	
Cash and cash equivalents	\$ 3,913,867
Prepaid expenses	1,932
Receivables;	
Service payments	424,581
Community development charges	122,925
Interest receivable	2,735
Total current assets	4,466,040
LIABILITIES	
Liabilities	
Current liabilities	
Accounts payable	15,627
Accrued interest payable	135,895
Bonds payable	430,000
Total current liabilities	581,522
Long term liabilities	
Bonds payable	23,127,000
Total liabilities	23,708,522
DEFERRED INFLOW OF RESOURCES	
Community development charges	122,925
Service payments	424,581
Total deferred inflows of resources	547,506
Total liabilities and deferred inflows of resources	24,256,028
NET POSITION	
Restricted	3,913,867
Unrestricted	(23,703,855)
Total net position	\$ (19,789,988)

See accompanying notes to the basic financial statements.

HICKORY CHASE COMMUNITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017
OPERATING REVENUE	
Service payments	\$ 1,286,496
Impact fees	936,000
Community development charges	2,401,707
	4,624,203
OPERATING EXPENSES	
Administrative fees	27,500
Legal fees	99,504
Audit fees	7,555
Insurance expense	2,119
Total operating expenses	136,678
Operating income	4,487,525
NON-OPERATING REVENUES (EXPENSES)	
Interest income	16,460
Interest expense	(1,639,286)
Total non-operating expenses	(1,622,826)
Change in net position	2,864,699
Net position, beginning of year	(22,654,687)
Net position, end of year	\$ (19,789,988)

See accompanying notes to the basic financial statements.

HICKORY CHASE COMMUNITY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from service payments	\$ 1,286,495
Cash received from impact fees	936,000
Cash received from community development charges	2,401,707
Cash received from other sources	3,338
Cash payments for administrative fees	(23,000)
Cash payments for audit fees	(7,555)
Cash payments for legal fees	(197,132)
	4,399,853
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	13,823
	13,823
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principle and interest paid on bonds	(1,787,665)
	(1,787,665)
Net increase in cash and cash equivalents	2,626,011
Cash and cash equivalents, beginning of year	1,287,856
Cash and cash equivalents, end of year	\$ 3,913,867
 ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH	
Provided by operating activities:	
Operating income	\$ 4,487,525
Adjustments:	
(Increase) in service payment receivable	(246,345)
Decrease in community development charges	2,278,782
Decrease in other receivables	3,338
(Decrease) in accounts payable	(91,010)
(Decrease) in deferred inflows of resources	(2,032,437)
	4,399,853
Net cash provided by operating activities	\$ 4,399,853

See accompanying notes to the basic financial statements.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - FINANCIAL REPORTING ENTITY

The Hickory Chase Community Authority (the “Authority”) was created pursuant to Chapter 349 of the Ohio Revised Code (the “Act”) which provides for the creation of “new community districts”. On June 2, 2007 Columbus Campus, LLC (the “Developer”) filed a petition (the “Petition”) for the establishment of the Authority with the Board of County Commissioners of Franklin County, Ohio. In accordance with the Act, the Petition was accepted by the County Commissioners’ Resolution No. 663-07 on July 31, 2007. By its Resolution, 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 was thereby organized as a body corporate and politic in the State.

The Hickory Chase Community District (the “District”) consists of approximately 77 acres of land and is located southeast of the intersection of Leap Road and Davidson Road in the City of Hilliard, Ohio. The development was originally planned to consist of a continuing care retirement community with approximately 1,529 independent living units in thirteen multi-story congregate residential buildings, two community buildings, a chapel and a maintenance building. In addition, a health care center, including approximately 132 assisted living units and 84 skilled nursing units, was to be constructed within the development but outside the District. Currently, the Developer has ceased construction of the project.

The Series 2008 Bonds are special obligations of the Hickory Chase Community Authority, as “Issuer”, payable solely from the Pledged Receipts, as defined in the Trust Agreement, dated as of March 1, 2008 (the “Trust Agreement”) between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The Pledged Receipts consist of (i) the service payments to be paid to the Issuer by the City of Hilliard (the “City”) under an Intergovernmental Cooperation Agreement by and among the Issuer, the Trustee and the City (“Available Service Payments”), (ii) the money collected by the Issuer as community development charges on property within the District (“Community Development Charges”), (iii) impact fees collected by the City from the Developer from building permits issued by the City for each independent living unit within the District and transferred to the Issuer pursuant to the Cooperative Agreement (“Impact Fees”), (iv) all receipts standing to the credit of the Revenue Fund, the Debt Service Fund, the Impact Fee Fund, the Project Fund, the Bond Reserve Fund, the Supplemental Reserve Fund and the Surplus Fund, and (v) any other revenues, receipts and other moneys assigned under the Trust Agreement.

Bond proceeds in the amount of \$25,760,000 were used to finance improvements to roads within the District, improvements to storm and sanitary sewers, pedestrian facilities, traffic control, landscaping and irrigation. Erickson Retirement Communities (“Erickson”) was to develop the Development, known as “Hickory Chase”, on behalf of the Developer, pursuant to a Development Agreement entered into between the Developer and Erickson. Erickson is the sole member of the Developer and Erickson Construction, LLC, the construction manager for the Development.

The Authority is governed by a Board of Trustees composed of seven members. The County Commissioners appoint three members to represent the interest of present and future residents of the District and one member to serve as a representative of local government. The Developer appoints three members as representatives of the Developer. Upon the Erickson’s withdrawal from the project, all Developer members resigned. In February 2014, the new owner appointed three new members to the board. Members currently serve without compensation.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

Basis of Accounting and Presentation

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

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

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made. The Authority uses the accrual basis of accounting.

Cash and Cash Equivalents

The Authority considers all highly liquid investments having an original maturity of three months or less when purchased to be cash and cash equivalents.

Capitalized Financing Costs

The Authority capitalizes financing costs that relate to the construction of the infrastructure improvements. Interest costs of improvements made with tax exempt borrowings are reduced by interest earned on invested debt proceeds over the same construction period.

Capital Assets

Capital assets are capitalized at cost and updated for additions and reductions during the year. The Authority does not maintain a capitalization threshold as all infrastructure assets are capitalized. The Authority does not depreciate capital assets as all assets will be donated upon completion.

Noncurrent Liabilities

Bonds payable are reported net of the applicable bond premium or discount which are deferred and amortized over the life of the bonds, if applicable. Issuance costs are expensed as incurred.

Net Position

Net position represents the difference between assets and liabilities and deferred inflow of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net positions are available.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. 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.

Income Taxes

The Authority is a governmental entity, and therefore, is exempt from all federal and state income taxes.

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the Community Authority that is applicable to a future reporting period.

Community Development Charges for which there is an enforceable legal claim as of December 31, 2017 but which will not be paid until 2018 are recorded as deferred inflows of resources on the Statement of Net Position.

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.

New Accounting Standards

The Authority has adopted all current Statements of the GASB that are applicable.

Future Accounting Standards

GASB has issued new standards that will become effective in future fiscal years. The Authority will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Fair Value Measurement

The Authority categorizes its fair value measurements within the fair hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuations inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCUMULATED DEFICIT OF NET POSITION

At December 31, 2017, the Authority had an accumulated deficit of net position of \$19,789,988. This deficit is a result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publically owned and operated community facilities. The Authority incurred the costs of constructing community facilities and all infrastructure improvements were donated to the City of Hilliard. This deficit will be reduced and eliminated as outstanding debt is paid with, primarily, future community development charges.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, pass book accounts.

Interim deposits are deposits of interim 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 statute 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, debenture, 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 Banks, 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 agreements 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.
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 agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio).

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial Credit Risk – Deposits is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned. There is no custodial credit risk to these accounts as the entire bank balance was covered by the Federal Deposit Insurance Corporation or collateralized in accordance with the requirements of the Trust Indenture.

Investments

As of December 31, 2017, all deposits of the Authority were invested in money market funds, which are withdraw-able on demand.

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 withdraw-able on demand.

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Trust Indenture specifies that investment providers must have a rating of at least “AA-” by S&P or “Aa3” by Moody’s. Investments at December 31, 2017 have met the ratings criteria. The Authority has no policy further restricting credit risk beyond statutory guidelines, which limit investment choices.

Concentration of credit risk can also arise by failing to adequately diversify investments. The Authority places no limits on the amount that may be invested in any one issuer.

As of December 31, 2017, the Authority had the following investments and maturities:

Measurement/ Investment Type	Measurement Value	3 Months or Less
Fair Value:		
Money Market Funds	\$ 3,913,867	\$ 3,913,867

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Authority's investments in the Money Market funds are valued using quoted market prices in active markets (Level 1 inputs).

NOTE 5 - CAPITAL ASSETS

Pursuant to the Developer's Agreement, all infrastructure improvements were donated to the City of Hilliard, Ohio, upon completion in December 2010.

NOTE 6 - LONG-TERM DEBT

On April 29, 2008 the Authority issued Infrastructure Improvement Revenue Bonds, Series 2008 (the "Bonds") in the amount of \$25,760,000 for the purpose of (i) financing the cost of certain infrastructure improvements within the District, (ii) funding the Bond Reserve Fund in the amount required, (iii) funding interest on the Bonds for a period of three years from the issuance date, and (iv) paying certain costs relating to the issuance of the Bonds.

The Bonds constitute two term bonds:

- Term 1 Bonds, bearing interest at 6.75% with a final maturity at December 1, 2027, and
- Term 2 Bonds, bearing interest at 7.0% with a final maturity at December 1, 2038.

Interest on the Bonds shall be paid each June 1 and December 1 beginning on December 1, 2008. Interest expense totaled \$1,640,665 for the fiscal year 2017. Principal paid in 2017 was \$147,000.

The Bonds are subject to optional redemption, mandatory sinking fund redemption, and extraordinary mandatory redemption at various dates through December 1, 2038. On June 1, 2012, Term 1 Bonds of \$621,000 and Term 2 Bonds of \$1,337,000 were redeemed from funds remaining in the Project Fund after completion of the public improvements.

Annual debt service requirements to maturity for the Bonds are as follows, as revised for the extraordinary mandatory redemption noted above:

For the year ending December 31:	Term 1 Bonds 6.75% \$8,165,000		Term 2 Bonds 7.0% \$17,595,000	
	Principal	Interest	Principal	Interest
2018	\$ 430,000	\$ 492,683	\$ 0	\$ 1,138,060
2019	577,000	463,658	0	1,138,060
2020	619,000	424,710	0	1,138,060
2021	661,000	382,928	0	1,138,060
2022	707,000	338,310	0	1,138,060
2023-2027	4,305,000	909,090	0	5,690,300
2028-2032	0	0	5,997,000	4,906,790
2033-2037	0	0	8,413,000	2,492,630
2038	0	0	1,848,000	129,360
	<u>\$ 7,299,000</u>	<u>\$ 3,011,379</u>	<u>\$ 16,258,000</u>	<u>\$ 18,909,380</u>

As of December 31, 2017, the balance in the Reserve Fund met the Reserve Fund Requirement. In November 2017, \$1,449,136 was transferred to the Reserve Fund to bring the balance to the required amount of \$2,183,370. While the Authority is obligated to disclose this event, the legal requirement to fund the Reserve Fund is that of the Property Owner.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7 - PLEDGED RECEIPTS REVENUE

Debt service charges on the bonds are payable from the Pledged Receipts which include (i) Available Service Payments, (ii) Impact Fees, and (iii), Community Development Charges, if any.

The Authority has the power to require current and future property owners within the District to pay a Community Development Charge for the benefit and use of the Authority to cover all or a part of the cost of the acquisition, construction, operation and maintenance of the improvements. The annual required installment for any calendar year is the amount estimated to be equal to: (i) annual debt service and administrative expenses, less (ii) assets available for the payment of such debt service and expense. Community Development Charges, unless prepaid, will be payable in installments at the same time general real estate taxes are paid to Franklin County. The county has agreed to apply its customary tax payment enforcement proceedings to the collection of any delinquent payment of Community Development Charges.

Community Development Charges of \$122,925 were imposed on the property for fiscal year 2017. Community Development Charges are due in two equal installments on January 21 and June 20 of the following year. Per the terms of the Special Master Sale and Charge Credit Order (see Note 8), all Community Development Charges and associated penalties and interest for 2012 and previous years, totaling \$6,032,418, were credited to the new property owner against the purchase price of the property. The first installment of the 2013 Community Development Charges due January 21, 2014 of \$1,200,853 was paid by the new property owner and transferred from the City to the Authority in March 2014.

NOTE 8 - TAX INCREMENT FINANCING PAYMENTS

The Authority receives service payments, in lieu of property taxes, which are assessed on and secured by liens on the taxable value of private property located in a Tax Increment Financing (TIF) district, as provided for in Ohio Revised Code Section 5709.42. As defined in the TIF district agreement, the cumulative total of service payments to be received by the Authority is limited to the cost of specified public infrastructure constructed by the Authority in the district. The accrued service payment receivables include those which were measureable at December 31, 2017, but are offset by a deferred inflow of resources.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2017, consisted of community development charges, service payments and accrued interest. Receivables have been disaggregated on the face of the Statement of Net Position and are deemed collectible in the following year.

NOTE 10 - STATUS OF THE DEVELOPMENT AND CHANGE OF OWNERSHIP

On July 2, 2009, KeyBank National Association, as construction lender for Hickory Chase, filed a foreclosure complaint in the Franklin County Court of Common Pleas (case number is 09 CVE 79921) seeking to foreclose on the Hickory Chase site for nonpayment of certain amounts due to KeyBank and other construction lenders under the construction loan.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

On October 19, 2009, Erickson and certain affiliated entities including Columbus Campus LLC filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas at Dallas as Case No. 09-37010, jointly administered. Pursuant to the confirmed plan of reorganization for Columbus Campus, LLC, the property was surrendered to the secured creditors and the KeyBank foreclosure was authorized to proceed.

The U.S. Bankruptcy Court ordered the automatic stay of the state foreclosure action affecting the real property at the Hickory Chase project be lifted on April 29, 2010. On May 25, 2010, the Franklin County Court of Common Pleas lifted the automatic stay in the foreclosure matter that was filed on July 2, 2009 by KeyBank, as construction lender for the Hickory Chase development. On February 13, 2012, the Franklin County, Ohio Court of Common Pleas entered a foreclosure decree granting summary judgment against the Columbus Campus, LLC and in favor of KeyBank (the "Decree"). Among various other things, the Decree foreclosed the equity of redemption of all parties in the subject property and declared that the property shall be sold free and clear of the rights, claims interests and liens of the parties to this action, subject only to the conditions, restrictions and easements, if any, of record.

On or about August 22, 2013, the property was sold at Special Master Sale to Greenwich Investors Hickory Chase, LLC ("Purchaser") for \$8,260,000. On September 6, 2013, the court entered a Confirmation Entry confirming the Special Master Sale and ordering the distribution of sale proceeds to various parties including the Authority. Following entry of the Confirmation Entry, the court declared and the Authority agreed that the Purchaser was to receive a credit for the outstanding Community Development Charges and associated penalties and interest in the amount of \$6,032,418, which could be applied against the purchase price. The balance of the purchase price was paid by the Purchaser in cash. Approximately, \$1,085,000 of Service Payments for 2010, 2011 and 2012 was included in the proceeds of the sale and were received by the Authority in 2014.

NOTE 11 - CONTINGENT LIABILITIES

As of December 31, 2017 there were no claims or lawsuits pending against the Authority.

NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through June 28, 2018.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Hickory Chase Community Authority
Franklin County
3800 Municipal Way
Hilliard, Ohio 43026

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Hickory Chase Community Authority, Franklin County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Hickory Chase Community Authority's basic financial statements and have issued our report thereon dated June 28, 2018.

Internal Control Over Financial Reporting

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

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Hickory Chase Community Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Trustees
Hickory Chase Community Authority

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
June 28, 2018



Dave Yost • Auditor of State

HICKORY CHASE 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
SEPTEMBER, 25 2018