

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY, OHIO**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

LINDA GENGLER, TREASURER



Dave Yost • Auditor of State

Board of Trustees
Jerome Village Community Authority
375 North Front Street, Suite 200
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Jerome Village Community Authority, Union County, prepared by Julian & Grube, Inc., for the audit period January 1, 2016 through December 31, 2016. 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 Jerome Village 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

August 4, 2017

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**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 7
Basic Financial Statements:	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to the Basic Financial Statements.....	11 - 18
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19 - 20

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Jerome Village Community Authority
Union County
375 North Front Street, Suite 200
Columbus, Ohio 43215

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Jerome Village Community Authority, Union County, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Jerome Village 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 Jerome Village 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 Jerome Village Community Authority's internal control. Accordingly, we express no 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 overall 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 Jerome Village Community Authority, Union County, Ohio, as of December 31, 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, Jerome Village Community Authority experienced a decrease in net position and a net position deficit. Note 12 describes the Authority's plans regarding these matters. We did not modify our opinion regarding this matter.

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 8, 2017, on our consideration of the Jerome Village 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 Jerome Village Community Authority's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 8, 2017

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

The management's discussion and analysis of financial performance of the Jerome Village Community Authority, Union County, Ohio, (the Authority), provides an overall review of the Authority's financial activities for the year ended December 31, 2016. 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 statement and the notes to the basic financial statement to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority encourages the orderly development of a well-planned, diversified community of approximately 1,500 acres of land located in Jerome Township, Union County, Ohio.
2. Net Position at December 31, 2016 and 2015 totaled a deficit of \$27.2 million and \$22.8 million, respectively.
3. During 2015, the Authority issued an additional bond (series C). The capital activity and draws on all outstanding bonds continued during 2016 and 2015. During 2016, series B bonds were fully funded.

Overview of the Basic Financial Statements

This annual report consists of a series of basic 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 Position and Statement of Revenues, Expenses and Changes in Net Position 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. The Statement of Net Position represents the financial position of the Authority. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net 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 information provided in the basic financial statements.

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

These basic financial statements look at all transactions and ask the question, how did we do financially? The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position 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 accrual basis of accounting takes into account all current year revenues and expenses regardless of when cash is received or paid.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

These two financial statements report the Authority's net position and changes in those assets and liabilities. This change in net position is important because it tells the reader whether the financial position of the Authority, as a whole, 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 8 and 9 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 10 of this report.

The basic financial statements also include notes that provide more detailed explanations of the information in the basic financial statements.

Financial Analysis

Table 1 provides a summary of the Authority's net position for years 2016 and 2015.

**Table 1
Net Position at Year End**

	2016	2015
Assets:		
Current assets	\$ 347,998	\$ 86,438
Capital assets	44,401,439	35,247,396
Total Assets	\$ 44,749,437	\$ 35,333,834
Liabilities:		
Current liabilities	\$ 274,340	\$ 468,723
Noncurrent liabilities	71,680,214	57,690,902
Total liabilities	71,954,554	58,159,625
Net position:		
Net investment in capital assets	(855,378)	(491,526)
Unrestricted	(26,349,739)	(22,334,265)
Total net position	\$ (27,205,117)	\$ (22,825,791)

The net increase in capital assets and total liabilities is primarily the result of the Authority drawing on bonds for the acquisition of land and construction of community improvements, as well as the accrual of interest related to all outstanding bonds.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

Table 2 reflects the changes in the Authority's net position for years 2016 and 2015.

**Table 2
Changes in Net Position**

	2016	2015
Operating revenues:		
Assessed valuation charges	\$ 383,648	\$ 235,101
Sewer charges	261,415	141,027
Community center, including rent	150,685	61,509
Total operating revenues	795,748	437,637
Operating expenses:		
Total operating expenses	1,276,445	861,232
Operating loss	(480,697)	(423,595)
Non-operating revenues (expenses):		
Sewer oversizing cost reimbursements	185,553	-
Community fees	(100,000)	-
Interest expense	(3,984,182)	(3,018,262)
Total non-operating expenses	(3,898,629)	(3,018,262)
Change in net position	(4,379,326)	(3,441,857)
Net position, beginning of year	(22,825,791)	(19,383,934)
Net position, end of the year	\$ (27,205,117)	\$ (22,825,791)

The increase in operating revenue is primarily a result of an increase in the number of chargeable parcels within the Authority's boundaries.

The increase in operating expenses is primarily a result of costs required to maintain the community center which began operations during 2015, as well as depreciation and additional costs required to maintain the Authority's land and community improvements.

The increase in interest expense is primarily the result of a full year's interest accrued on the bonds issued during 2015, as well as interest accrued on previously issued bonds issued to construct community improvements that have since been placed into service.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

Budgeting

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

Capital Assets

As of December 31, 2016, the Authority had \$44.4 million in capital assets, an increase of \$9.2 million in comparison with 2015. The increase represents capital improvements of \$9.5 million net of current year depreciation of \$0.4 million.

Debt Administration

Through 2015, the Authority approved the issuance of Community Facilities Bonds, Series A through C totaling \$74.0 million. As of December 31, 2016, the Authority has issued bonds totaling \$57.9 million, an increase of \$9.8 million in comparison with 2015.

Economic Conditions

The Authority approved the issuance of Community Facilities Bonds for the purpose of providing funds to pay the costs of public infrastructure improvements including water, sewer and storm sewer improvements, and road, sidewalk and streetscape improvements, along with parks and community facility improvements, and the acquisition of real estate and site preparation for such improvements.

- During 2010, the Authority approved the issuance of \$22.0 million in Community Facilities Bonds, Series A. The Series A bond was issued as a one term bond with a stated maturity date of August 27, 2050. The Series A bond has been fully funded and the blended interest rate is 8.87%.
- During 2013, the Authority approved the issuance of \$25.0 million in Community Facilities Bonds, Series B. The Series B bond was issued as one a term bond with a stated maturity of December 15, 2053. The Series B bond has been fully funded and the blended interest rate is 6.96%.
- During 2015, the Authority approved the issuance of \$27.0 million in Community Facilities Bonds, Series C. The Series C bonds were issued as a one term bond with a stated maturity of July 15, 2055. The interest rate for the first advance of Series C bonds was 6.8% per year. For each subsequent advance, the fixed annual rate is determined at the time of each advance equal to (i) the most recently published Bond Buyer 25 Revenue Bond Muni Index rate for 30 year bonds plus (ii) 2.61%. The Series C bonds have been funded in the amount of \$10.9 million as of December 31, 2016, and the Authority expects to have the bonds fully funded within 3 years of the initial issuance.

Interest on each of the bonds is accrued monthly. Principal and interest payments are made in accordance with the bond agreements. Current cash flow projections for the Authority estimate the bonds will be fully paid prior to maturity.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

The Authority's assessed valuation charges, sewer oversizing cost reimbursements and sewer service charges received from residents in excess of amounts needed for operation and maintenance of the sewer system are pledged to the payment of interest of Series A, B and C bonds, pro rata, to the extent amounts are sufficient. Once accrued interest has been made current, these receipts are pledged to the principal payment of the Series A bonds followed by the Series B bonds and then the Series C bonds.

Contacting Authority's Financial Management

This financial report is designed to provide readers 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 Treasurer, 375 North Front Street, Suite 200, Columbus, Ohio 43215.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

	2016
Assets:	
Current assets	
Cash and cash equivalents	\$ 95,931
Restricted cash with fiscal agent	198,788
Accounts receivable	53,279
Total current assets	347,998
Noncurrent assets	
Nondepreciable capital assets	34,029,938
Depreciable capital assets, net	10,371,501
Total noncurrent assets	44,401,439
Total assets	\$ 44,749,437
Liabilities:	
Current liabilities	
Accounts payable	\$ 62,259
Retainage payable	635
Community fees payable	91,908
Deferred community development charges	8,370
Real estate tax payable	95,139
Other accrued expenses	16,029
Total current liabilities	274,340
Noncurrent liabilities	
Developer payable	379,531
Accrued interest payable	13,404,316
Bonds payable	57,896,367
Total noncurrent liabilities	71,680,214
Total liabilities	71,954,554
Net position:	
Net investment in capital assets	(855,378)
Unrestricted	(26,349,739)
Total net position	(27,205,117)
Total liabilities and net position	\$ 44,749,437

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016
Operating revenues:	
Assessed valuation charges	\$ 383,648
Sewer charges	261,415
Community center, including rent	150,685
Total operating revenues	795,748
Operating expenses:	
Common area repair, maintenance and utilities	232,227
Water and sewer	276,212
Community center expenses	247,730
Administrative costs, including bank fees	36,119
Insurance	9,020
Professional fees	16,147
Real estate taxes	95,139
Depreciation	363,851
Total operating expenses	1,276,445
Operating loss	(480,697)
Non-operating revenue (expenses):	
Sewer oversizing cost reimbursements	185,553
Community fees	(100,000)
Interest expense	(3,984,182)
Total non-operating expenses	(3,898,629)
Change in net position	(4,379,326)
Net position beginning of year	(22,825,791)
Net position end of year	\$ (27,205,117)

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016
Cash flows for operating activities:	
Cash received from assessed valuation charges	\$ 384,201
Cash received from sewer charges	259,215
Cash received from community center, including rent	143,528
Cash payments for operating expenses	(849,632)
Net cash used in operating activities	(62,688)
Cash flows for noncapital financing activities	
Cash received from developer	51,701
Cash received for community fees	81,244
Cash payments for community fees	(18,136)
Cash payments to township	(100,000)
Cash received from bond proceeds	101,077
Net cash provided by noncapital financing activities	115,886
Cash flows for capital and related financing activities:	
Cash payments for capital acquisitions	(9,629,520)
Cash received from bond proceeds	9,676,644
Cash received for sewer oversizing cost reimbursements	143,569
Cash payments for bond interest	(34,488)
Net cash provided by capital and related financing activities	156,205
Increase in cash and cash equivalents	209,403
Cash and cash equivalents at beginning of year	85,316
Cash and cash equivalents at end of year	\$ 294,719
	-
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (480,697)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	363,851
Changes in assets and liabilities:	
Accounts receivable	(10,173)
Accounts payable	(890)
Deferred community development charges	1,369
Real estate tax payable	57,508
Other accrued expenses	6,344
Net cash used in operating activities	\$ (62,688)

Schedule of noncash transactions:

At December 31, 2016, the Authority had capital-related payables totaling \$635.

In 2016, the Authority capitalized interest of \$210,196.

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1 - REPORTING ENTITY

The Jerome Village Community Authority, Union County, Ohio (the “Authority”) is a community authority created pursuant to Chapter 349 of the Ohio Revised Code (ORC). Jerome Village Company (the Developer) filed a petition (the Petition) for creation of the Authority with the Board of County Commissioners of Union County, Ohio, and the Petition was accepted by Resolution No. 417-08 of the Board of County Commissioners of Union County on August 4, 2008. The Petition, which may be subject to amendment or change, defines the boundaries of the Authority and allows the Authority to finance the costs of publicly owned and operated improvements and community facilities with assessed Community Development Charges.

By its Resolution, the Board of County Commissioners of Union County determined the 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.

By law, the Authority is governed by a seven member board of trustees. The Board of County Commissioners of Union County appointed four of the trustees and the remaining three trustees were appointed by the Developer. At December 31, 2016, all board positions were filled.

The Authority includes greater than 1,500 acres of land located in Jerome Township, Union County, Ohio. Upon completion, the boundaries will contain residential units and commercial office and retail space, along with approximately 600 acres dedicated for trails, parks, nature preserves, schools and community centers. The entire project includes the construction of waterline, sanitary sewer, main line sanitary sewer, storm sewer, bike path, road and street improvements.

The Authority’s management believes these basic 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 basic 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.

A. Basis of 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 accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 and the accrual basis of accounting. All assets and liabilities 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 present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. 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.

C. Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of three months or less at the time they are purchased to be cash and cash equivalents.

D. Restricted Cash

Certain cash and cash equivalents are classified as restricted cash on the basic financial statements since these funds are held by a fiscal agent as designated by the bond agreements.

E. Capital Assets and Depreciation

Capital assets, including land, land improvements, buildings, building improvements and infrastructure assets are reported in the Statement of Net Position. Capital assets acquired or constructed by the Authority are recorded at historical cost. The Authority does not maintain a formal capitalization threshold.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the life of an asset are expensed as incurred. Improvements are capitalized and depreciated using the straight-line method over the useful lives of the related capital assets, as applicable. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized cost of the assets constructed.

Depreciable lives used for property items within each property classification are as follows:

<u>Classification</u>	<u>Useful Life</u>
Land improvements	7-15 years
Building and building improvements	40 years

F. 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.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The developer payable represents administrative and maintenance expenses funded by the Developer in accordance with the development agreement.

G. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, less any outstanding related debt. 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. The Authority did not have any restricted net position components as of December 31, 2016.

H. 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 assessed valuation, sewer and community center 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.

I. 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 basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - DEPOSITS AND INVESTMENTS

The carrying amount of the Authority's deposits at December 31, 2016 was \$95,931 and the bank balance was \$118,230. The Authority's entire balance was covered by the Federal Depository Insurance Corporation (FDIC).

In addition, the Authority had cash on deposit with Bank of New York Mellon (Trustee) in accordance with the Authority's Master Trust Agreement with the Trustee. The amount on deposit with the Trustee at December 31, 2016 was \$198,788. These amounts are reported as restricted cash with fiscal agent on the Statement of Net Position.

NOTE 4 - COMMUNITY DEVELOPMENT CHARGES

The Authority can levy community development charges, as defined, for the benefit and use of the Authority to cover all or part of land acquisitions, development, construction, operation and maintenance of land, land development and community facilities, the debt service therefore and any other cost incurred by the Authority. The community development charges include assessed valuation, sewer service and community center charges.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 4 - COMMUNITY DEVELOPMENT CHARGES - (Continued)

The Authority can levy an annual assessed valuation charge up to 9.5 mills on the assessed value of all chargeable property, as defined, within the boundaries of the Authority. Assessed valuation charge revenue recognized in the year 2016 represents the amounts levied for the year.

These charges were levied based on the County Auditor's assessed value as of January 1 of the year. The assessed value is established by state law at 35% of the current market value based on the County Auditor's tax duplicate. If the County Auditor's tax duplicate does not reflect the completed value on a chargeable parcel, then assessed value shall mean 35% of (a) the most recent arms-length sales price, after completion of improvements to that parcel, (b) if there has been no such sale, the then current land value of the chargeable parcel plus the value of the improvements as stated on the building permit(s) for that parcel, or (c) if there is no improvement value stated on the building permit(s), or if the land value or building permit(s) are not available, the market value of the chargeable parcel as reasonably determined by the Treasurer based on an appraisal of the chargeable parcel. Amounts assessed and due are reflected as revenue on the Statement of Revenues, Expenses and Changes in Net Position.

The Authority entered into a Service Agreement dated July 23, 2010, and as amended from time to time, with the City of Marysville and Union County whereby the Authority agreed to provide for the connection of certain property to the sanitary sewer system constructed pursuant to that agreement and the collection of certain charges for the use of the sanitary sewer system ("sewer service charges"). Each user of the sanitary sewer system must pay for the privilege of that use. For year 2016, sewer service charges were levied in the amounts specified in Section 925.01 of the Codified Ordinances of Marysville, Ohio. Amounts assessed and due are reflected as revenue on the Statement of Revenues, Expenses and Changes in Net Position.

Beginning in 2015, the Authority can levy an annual community center charge on all chargeable parcels, as defined, within the boundaries of the Authority. The amount of the annual charge is equal to the community center's budgeted operating expenses for that year, as approved by the Board, divided by the number of chargeable parcels. The maximum annual community center charge was \$360 per parcel for the first year the community center charges were collected by the Authority, and may be increased in each subsequent year by a percent not exceeding the Consumer Price Index for that year. Amounts charged and due are reflected as revenue on the Statement of Revenues, Expenses and Changes in Net Position.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

Description	Beginning Balance	Additions	Disposals / Dedications	Transfers	Ending Balance
Non-depreciable assets:					
Land	\$ 10,404,286	\$ 7,171,538	\$ -	\$ 21,675	\$ 17,597,499
Construction in progress	14,748,665	2,346,356	-	(662,582)	16,432,439
Total nondepreciable assets	<u>25,152,951</u>	<u>9,517,894</u>	<u>-</u>	<u>(640,907)</u>	<u>34,029,938</u>
Capital assets, being depreciated:					
Land improvements	1,070,319	-	-	520,042	1,590,361
Building and improvements	9,515,651	-	-	120,865	9,636,516
Total depreciable capital assets	<u>10,585,970</u>	<u>-</u>	<u>-</u>	<u>640,907</u>	<u>11,226,877</u>
Total capital assets	<u>35,738,921</u>	<u>9,517,894</u>	<u>-</u>	<u>-</u>	<u>45,256,815</u>
Less accumulated depreciation for:					
Land improvements	(241,411)	(123,554)	-	-	(364,965)
Building and improvements	(250,114)	(240,297)	-	-	(490,411)
Total accumulated depreciation	<u>(491,525)</u>	<u>(363,851)</u>	<u>-</u>	<u>-</u>	<u>(855,376)</u>
Total depreciable assets, net	<u>10,094,445</u>	<u>(363,851)</u>	<u>-</u>	<u>640,907</u>	<u>10,371,501</u>
Total capital assets, net	<u>\$ 35,247,396</u>	<u>\$ 9,154,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,401,439</u>

Capitalized Interest

In accordance with Governmental Accounting Standards Board Statement No. 62, the Authority capitalizes the net effect of interest expense and related interest revenue on the portion of the debt issued to fund these capital projects from the date the debt was issued. Interest capitalized during 2016 was \$0.2 million. Interest costs not capitalized are expensed.

NOTE 6 - BONDS PAYABLE

The Authority approved the issuance of Community Facilities Bonds (Series A, Series B and Series C) totaling \$74.0 million. The bonds were issued for the purpose of providing funds to pay the costs of public infrastructure improvements including water, sewer and storm sewer improvements, and road, sidewalk and streetscape improvements, along with parks and community facility improvements, and the acquisition of real estate and site preparation for such improvements. The bonds were sold to a related party of the Developer at par.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 6 - BONDS PAYABLE - (Continued)

The Authority's assessed valuation charges, sewer oversizing cost reimbursements, and sewer service charges received from residents in excess of amounts needed for operation and maintenance of the sewer system are pledged to the payment of interest of Series A, B and C bonds, pro rata, to the extent amounts are sufficient. Once accrued interest has been made current, these receipts are pledged to the principal payment of the Series A bonds, followed by the Series B bonds and then the Series C bonds.

Bonds payable activity for the year ended December 31, 2016 was as follows:

	Maturity Date	Interest Rate	Beginning Balance	Draws	Repayments	Ending Balance
Series A, 2010	8/27/2050	8.87%	\$22,000,000	\$ -	\$ -	\$22,000,000
Series B, 2013	12/15/1953	6.96%	23,392,983	1,607,017	-	25,000,000
Series C, 2015	7/15/1955	see below	2,725,663	8,170,704	-	10,896,367
Total			<u>\$48,118,646</u>	<u>\$ 9,777,721</u>	<u>\$ -</u>	<u>\$57,896,367</u>

Community Facilities Bonds – Series B, 2013

During 2013, the Authority approved the issuance of \$25.0 million in Community Facilities Bonds, Series B. The interest rate for the first advance of Series B bonds was 7.9% per year. For each subsequent advance, the fixed annual rate was determined at the time of each advance equal to (i) the most recently published Bond Buyer 25 Revenue Bond Muni Index rate for 30 year bonds plus (ii) 2.5%. The Series B bonds were fully funded during 2016 and the blended interest rate beginning December 2016 is 6.96%.

Community Facilities Bonds – Series C, 2015

During 2015, the Authority approved the issuance of \$27.0 million in Community Facilities, Series C. The interest rate for the first advance of Series C bonds was 6.8% per year. For each subsequent advance, the fixed annual rate is determined at the time of each advance equal to (i) the most recently published Bond Buyer 25 Revenue Bond Muni Index rate for 30 year bonds plus (ii) 2.61%.

Interest on each of the outstanding bonds is accrued monthly. Principal and interest payments are made in accordance with the bond agreements. Current cash flow projections for the Authority estimate the bonds will be fully paid prior to maturity.

There are no amounts due on any of the outstanding bonds within one year.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 7 - LEASES

The Authority leases restaurant and concession space in the community center to an unrelated party. The lease commenced in 2015 for a 24 month initial term with two consecutive five year renewal options. During the initial term, the lessee pays minimum rent in an amount equal to 5.0% and 7.5% of gross receipts in months 1-12 and 13-24, respectively. Percentage rent of \$24,657 was recognized during the year ended December 31, 2016. The Authority, as a lessor, has retained substantially all of the risks and benefits of ownership and accounts for the lease as an operating lease. Amounts charged and due are reflected as revenue on the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 8 - RISK MANAGEMENT

The Authority has property, casualty, crime, and public official's liability protection for potential loss or damage resulting from their operations or to their property. Protection is provided by A-rated companies and extends to all owned, leased, rented or newly acquired property, as well as their business operations. Coverage is on a risk transfer basis. In the event of a covered claim payment, limits are automatically reinstated up to the Annual Aggregate, if applicable. Coverage for property and crime are written on a deductible basis. Casualty is written with no deductible and public officials coverage is written with a \$5,000 deductible.

There has been no change in coverage from the prior year and there have been no claims in the past three years.

NOTE 9 - CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

NOTE 10 - CONTRACTUAL COMMITMENTS

The Authority had the following contractual commitments outstanding at December 31, 2016:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Remaining</u>
Decker Construction Company	25,463	19,298	\$ 6,165
Rocky Fork Company	164,361	117,237	47,124
Total	<u>\$ 189,824</u>	<u>\$ 136,535</u>	<u>\$ 53,289</u>

Land Acquisition Agreement

During 2014, the Authority entered into a land acquisition agreement with the Developer to purchase parcels of real property consisting of approximately 374 acres and any and all improvements located thereon. The purchase price is \$55,469 per acre and is payable from proceeds of the Authority's bonds. In 2016, the Authority purchased approximately 129 acres of land from the Developer for a total of \$7.2 million. To date, the Authority has purchased approximately 288 acres for \$16.0 million. The remaining balance of approximately 86 acres, totaling \$4.8 million will be purchased in future years.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 11 - RELATED PARTIES

The Developer is responsible for overseeing the construction and development of the Authority's public infrastructure projects. In addition, the Developer has guaranteed to fulfill any administrative and maintenance operating deficit held by the Authority until the Authority has stabilized, in accordance with the development agreement. Any required administrative and maintenance expenses unable to be paid by the Authority due to inadequate cash flow are fulfilled by the Developer through a cash payment to the Authority upon request. The Authority is obligated to reimburse the Developer for these funds through future cash flows generated by the community development charges in accordance with the bond agreements.

By law, the Authority is governed by a seven member board of trustees. The Board of County Commissioners of Union County appointed four of the trustees and the remaining three trustees were appointed by the Developer. The trustees appointed by the Developer are employees of a related party to the Developer.

NOTE 12 - ACCUMULATED DEFICIT OF NET POSITION

At December 31, 2016, the Authority has an accumulated deficit net position of \$27.2 million. This deficit is a result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publicly owned and operated community land and facilities, and has incurred such costs. The related deficit will be reduced and eliminated as outstanding debt is paid primarily with future community development charges.

NOTE 13 - SUBSEQUENT EVENTS

As of the date of issuance of this report, the Authority has drawn down an additional \$0.6 million of the Series C bonds.



Julian & Grube, Inc.
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Jerome Village Community Authority
Union County
375 North Front Street, Suite 200
Columbus, Ohio 43215

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 Jerome Village Community Authority, Union County, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Jerome Village Community Authority's basic financial statements and have issued our report thereon dated June 8, 2018, wherein we noted Jerome Village Community Authority experienced a decrease in net position and a net position deficit during the year ended December 31, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Jerome Village 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 Jerome Village 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 Jerome Village 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
Jerome Village Community Authority

Compliance and Other Matters

As part of reasonably assuring whether the Jerome Village 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 Jerome Village 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 Jerome Village Community Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 8, 2017



Dave Yost • Auditor of State

JEROME VILLAGE COMMUNITY DEVELOPMENT AUTHORITY

UNION 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
AUGUST 17, 2017**