

HICKORY CHASE COMMUNITY AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

GREGORY TANTARI, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Hickory Chase Community Authority, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2014 through December 31, 2015. 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

November 8, 2016

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**HICKORY CHASE COMMUNITY AUTHORITY
FRANKLIN COUNTY**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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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 years ended December 31, 2015 and 2014, 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 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 Hickory Chase Community Authority, Franklin County, Ohio, as of December 31, 2015 and 2014, 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.

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 August 30, 2016, 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.
August 30, 2016

**HICKORY CHASE COMMUNITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(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 years ended December 31, 2015 and 2014. 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, 2015 and 2014 totaled \$(23,273,268) and \$(23,954,664), respectively.
3. Completed public improvements were donated to the City of Hilliard upon completion in December 2010.
4. Community Development Charges of \$2,401,707 were imposed on the property for calendar year 2015, payable in 2016, and calendar year 2014, payable in 2015.
5. The TIF ordinance was approved by the State of Ohio on March 22, 2011. Service payments of \$368,411 and \$1,763,565 were received by the Authority during 2015 and 2014, respectively. Service payments of \$183,426 representing all amounts due through the second half of 2015, are currently due and payable to the Authority.
6. No Impact Fees have been accrued or collected since 2009 as construction has ceased.
7. All interest payments due on the Bonds have been paid through December 1, 2015.
8. The balance in the Reserve Fund did not meet the Reserve Fund Requirement due to previous draws made to pay debt service, receiver's and administrative expenses.
9. 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.

**HICKORY CHASE COMMUNITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(UNAUDITED)**

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of two parts – (i) Management’s Discussion and Analysis and (ii) the basic financial statements consisting of a *Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows*; and related footnotes. The Statements 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, all liabilities and all deferred inflow of resources are included in the Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net financial position. The Statements 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 Statements of Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Current assets	\$ 3,291,855	\$ 2,719,479	\$ 3,470,769
Total assets	<u>3,291,855</u>	<u>2,719,479</u>	<u>3,470,769</u>
Liabilities:			
Current liabilities	275,990	286,228	2,660,654
Long-term debt	<u>23,704,000</u>	<u>23,802,000</u>	<u>23,802,000</u>
Total Liabilities	<u>23,979,990</u>	<u>24,088,228</u>	<u>26,462,654</u>
Deferred inflow of resources	<u>2,585,133</u>	<u>2,585,915</u>	<u>2,401,707</u>
Net Position			
Restricted	706,716	133,563	109,794
Unrestricted	<u>(23,979,984)</u>	<u>(24,088,227)</u>	<u>(25,503,386)</u>
Total Net Position	<u>\$ (23,273,268)</u>	<u>\$ (23,954,664)</u>	<u>\$ (25,393,592)</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 Statements of Revenues, Expenses, and Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 2,770,118	\$ 3,206,005	\$ 959,267
Operating expenses	<u>441,510</u>	<u>163,628</u>	<u>132,054</u>
Operating income	2,328,608	3,042,377	827,213
Non-operating expenses	<u>(1,647,212)</u>	<u>(1,603,449)</u>	<u>(1,909,584)</u>
Change in net position	<u>\$ 681,396</u>	<u>\$ 1,438,928</u>	<u>\$ (1,082,371)</u>

Service Payments due to the Authority for 2015, 2014, and 2013 partially offset debt service and the Authority’s operating expenses for 2015, 2014, and 2013.

**HICKORY CHASE COMMUNITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(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 \$368,411 and \$1,763,565 were transferred to the Authority during 2015 and 2014. Community Development Charges of \$2,401,707 were imposed on the property for calendar year 2015 and 2014, payable in 2016 and 2015, respectively.

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. In addition, legal and other fees are expected to decrease with the resolution of the bankruptcy litigation and sale of the property.

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Authority's Administrator, Argus Growth Consultants, Ltd., at 100 South Third Street, Columbus, Ohio 43215.

HICKORY CHASE COMMUNITY AUTHORITY
STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 706,716	\$ 133,563
Receivables:		
Service payments	183,426	184,208
Community Development Charges	2,401,707	2,401,707
Interest receivable	6	1
Total current assets	\$ 3,291,855	\$ 2,719,479
LIABILITIES		
Liabilities		
Current liabilities		
Accounts payable	\$ 40,716	\$ 60,320
Accrued interest payable	137,274	225,908
Bonds payable	98,000	0
Total current liabilities	275,990	286,228
Long term liabilities		
Bonds payable	23,704,000	23,802,000
Total liabilities	23,979,990	24,088,228
DEFERRED INFLOW OF RESOURCES		
Community development charges	2,401,707	2,401,707
Service payments	183,426	184,208
Total deferred inflows of resources	2,585,133	2,585,915
Total liabilities and deferred inflows of resources	26,565,123	26,674,143
NET POSITION		
Restricted	706,716	133,563
Unrestricted	(23,979,984)	(24,088,227)
Total net position	\$ (23,273,268)	\$ (23,954,664)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HICKORY CHASE COMMUNITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
OPERATING REVENUE	\$	\$
Service Payments	368,411	804,298
Community Development Charges	2,401,707	2,401,707
Total operating revenue	2,770,118	3,206,005
OPERATING EXPENSES		
Administrative fees	22,286	10,451
Legal fees	417,274	144,960
Audit fees	0	6,267
Insurance expense	1,950	1,950
Total operating expenses	441,510	163,628
Operating income	2,328,608	3,042,377
NON-OPERATING REVENUES (EXPENSES)		
Interest income	68	2
Interest expense	(1,647,280)	(1,647,280)
Receiver income	0	43,829
Total non-operating expenses	(1,647,212)	(1,603,449)
Change in net position	681,396	1,438,928
Net position, beginning of year	(23,954,664)	(25,393,592)
Net position, end of year	\$ (23,273,268)	\$ (23,954,664)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HICKORY CHASE COMMUNITY AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from service payments	\$ 368,411	\$ 1,763,565
Cash received from community development charges	2,401,707	2,401,707
Cash payments for administrative fees	(29,480)	(30,899)
Cash payments for legal fees	(431,634)	(75,102)
Cash payments for other operating expenses	0	(5,939)
Net cash provided by operating activities	2,309,004	4,053,332
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	63	1
Net cash provided by investing activities	63	1
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on bonds	(1,735,914)	(4,029,564)
Net cash used in capital and related financing activities	(1,735,914)	(4,029,564)
Net increase in cash and cash equivalents	573,153	23,769
Cash and cash equivalents, beginning of year	133,563	109,794
Cash and cash equivalents, end of year	\$ 706,716	\$ 133,563
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Provided by operating activities:		
Operating income	\$ 2,328,608	\$ 3,042,377
Adjustments:		
Decrease in service payment receivable	782	775,059
(Decrease) increase in accounts payable	(19,604)	51,688
(Decrease) increase in deferred inflows of resources	(782)	184,208
Net cash provided by operating activities	\$ 2,309,004	\$ 4,053,332

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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, 2015 AND 2014

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 Statements of Net Position; a Statements of Revenues, Expenses, and Changes in Net Position; and a Statements 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 Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net financial resources. The Statements 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.

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. 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.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 position 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, 2015 and December 31, 2014 but which will not be paid until 2016 and 2015, respectively are recorded as deferred inflows of resources on the Statements 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.

NOTE 3 - ACCUMULATED DEFICIT OF NET POSITION

At December 31, 2015 and 2014, the Authority had an accumulated deficit of net position of \$23,273,268 and \$23,954,664, respectively. This deficit is a result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of 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.

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.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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).

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.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014 have met the ratings criteria.

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.

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 payments totaled \$1,735,914 and \$4,029,564 for the fiscal years 2015 and 2014, respectively.

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.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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
2016	\$ 98,000	\$ 509,220	\$ 0	\$ 1,138,060
2017	147,000	502,605	0	1,138,060
2018	430,000	492,682	0	1,138,060
2019	577,000	463,658	0	1,138,060
2020	619,000	424,710	0	1,138,060
2021-2025	3,784,000	1,437,075	0	5,690,300
2026-2030	1,889,000	193,253	3,355,000	5,465,740
2031-2035	0	0	7,346,000	3,557,260
2036-2038	0	0	5,557,000	781,900
	<u>\$ 7,544,000</u>	<u>\$ 4,023,203</u>	<u>\$ 16,258,000</u>	<u>\$ 21,185,500</u>

As of December 31, 2015 and 2014, the balance in the Reserve Fund did not meet the Reserve Fund Requirement due to draws made to pay debt service, receiver and administrative expenses. The Reserve Fund Requirement, as revised for the extraordinary redemption noted above, is \$2,183,370, while the balance in the Reserve Fund was \$338,359 and \$8,563 for 2015 and 2014, respectively. While the Authority is obligated to disclose this event, the legal requirement to re-fund the Reserve Fund is that of the Property Owner.

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 \$2,401,707 were imposed on the property for fiscal years 2015 and 2014. 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.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 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 measurable at December 31, 2015 and December 31, 2014, but are offset by a deferred inflow of resources for both years.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2015 and December 31, 2014, consisted of community development charges, service payments and accrued interest. Receivables have been disaggregated on the face of the Statements 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.

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 was received by the Authority in 2014.

HICKORY CHASE COMMUNITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 11- CONTINGENT LIABILITIES

As of December 31, 2015 there were no claims or lawsuits pending against the Authority.

NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through August 30, 2016.



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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*

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 years ended December 31, 2015 and 2014, 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 August 30, 2016.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

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*.

Hickory Chase Community Authority's Response to Findings

The Hickory Chase Community Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Hickory Chase Community Authority's response and, accordingly, we express no opinion on it.

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 communication is not suitable for any other purpose.



Julian & Grube, Inc.
August 30, 2016

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and citizens with objective and timely information to enable well-informed decisions.

The following audit adjustments were made to correct misstatements identified in the audit of the Hickory Chase Community Authority's financial statements:

- i.* \$23,802,000 was reclassified from Net investment in capital assets to Unrestricted on the Statements of Net Position for the year ended December 31, 2015.
- ii.* \$23,802,000 was reclassified from Net investment in capital assets to Unrestricted on the Statements of Net Position for the year ended December 31, 2014.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Authority consult with their auditors, Auditor of State and/or Ohio Municipal League to help ensure accurate financial reporting.

Client Response: The Fiscal Officer will work to provide a sound fiscal environment for the Community Authority and has implemented policies and procedures to help with financial statement presentation.

**HICKORY CHASE COMMUNITY AUTHORITY
FRANKLIN COUNTY**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-HCCA-001	<u>Significant Deficiency - Financial Statement Presentation</u> - An adjustment was necessary to increase due from other governments by \$2,401,707 and increase the deferred inflows of revenue associated with the receivable by the same amount to properly state due from other governments and deferred inflows at fiscal year end.	No	Not corrected; reissued as Material Weakness Finding No. 2015-001

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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
NOVEMBER 22, 2016