

**NORTHSTAR NEW COMMUNITY AUTHORITY
DELAWARE COUNTY, OHIO**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

LINDA GENGLER, TREASURER



Dave Yost • Auditor of State

Board of Trustees
Northstar New Community Development Authority
375 N. Front St. Ste 200
Columbus, OH 43215

We have reviewed the *Independent Auditor's Report* of the Northstar New Community Development Authority, Delaware County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 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 Northstar New Community Development 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

June 20, 2016

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**NORTHSTAR NEW COMMUNITY AUTHORITY
DELAWARE COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

Northstar New Community Authority
Delaware 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 Northstar New Community Authority, Delaware County, Ohio, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Northstar New 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 Northstar New 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 Northstar New 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 Northstar New Community Authority, Delaware County, Ohio, as of December 31, 2015, 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 11 to the financial statements, Northstar New Community Authority experienced a decrease in net position and a net position deficit. Note 11 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.

Report on Summarized Comparative Information

We have previously audited the Northstar New Community Authority's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2016, on our consideration of the Northstar New 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 Northstar New Community Authority's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 20, 2016

**NORTHSTAR NEW COMMUNITY AUTHORITY
DELAWARE COUNTY**

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

The management's discussion and analysis of financial performance of the Northstar New Community Authority, Delaware County, Ohio, (the Authority), provides an overall review of the Authority's financial activities for the fiscal 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 the notes to the basic financial statements 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 1,700 acres in Delaware County, including the Townships of Berkshire and Kingston.
2. Net Position at December 31, 2015 and 2014 totaled a deficit of \$1.4 million and \$0.3 million, respectively.
3. During 2014, bonds were issued and capital activity commenced. The capital activity and draws on the bonds continued during 2015.

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 Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position provide information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statements of Net Position. The Statements of Net Position represent the financial position of the Authority. The Statements of Revenues, Expenses and Changes in Net Position present increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statements of Cash Flows reflect 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.

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

These basic financial statements look at all transactions and ask the question, how did we do financially? The Statements of Net Position and the Statements 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 of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The Statements of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its operations. The Statements of Cash Flows can be found on page 9 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 2015, 2014 and 2013.

**Table 1
Net Position at Year End**

	2015	2014	2013
Assets:			
Current assets	\$ 8,762	\$ 8,762	\$ 10,007
Capital assets	9,862,399	9,947,613	-
Total Assets	\$ 9,871,161	\$ 9,956,375	\$ 10,007
Liabilities:			
Current liabilities	\$ 8,925	\$ 124,762	\$ 24,787
Noncurrent liabilities	11,273,618	10,168,401	-
Total liabilities	11,282,543	10,293,163	24,787
Net position:			
Net investment in capital assets	(266,235)	(102,370)	-
Unrestricted	(1,145,147)	(234,418)	(14,780)
Total net position	\$ (1,411,382)	\$ (336,788)	\$ (14,780)

The net decrease in capital assets is due to the commencement of depreciation for assets placed into service during 2015.

The increase in noncurrent liabilities is primarily the result of additional draws on the bonds and the accrual of interest related to all outstanding bonds.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(UNAUDITED)

Table 2 reflects the changes in the Authority's net position for years 2015, 2014 and 2013.

	2015	2014	2013
Operating revenues:			
Community development charges	\$ 18,768	\$ 18,380	\$ 17,942
Total operating revenues	18,768	18,380	17,942
Operating expenses:			
Total operating expenses	231,189	33,212	7,935
Operating income (loss)	(212,421)	(14,832)	10,007
Non-operating expenses			
Interest expense	(847,293)	(229,594)	-
Legal fees	(14,880)	(77,582)	(24,787)
Total non-operating expenses	(862,173)	(307,176)	(24,787)
Change in net position	(1,074,594)	(322,008)	(14,780)
Net position, beginning of year	(336,788)	(14,780)	-
Net position, end of the year	\$ (1,411,382)	\$ (336,788)	\$ (14,780)

The increase in operating expenses is primarily a result of additional costs required to maintain the Authority's capital assets and the commencement of depreciation for assets placed into service during the year.

The increase in interest expense is primarily the result of a full year's interest accrued on the bonds that the Authority issued during 2014 to acquire land and construct community improvements.

Budgeting

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

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

Capital Assets

As of December 31, 2015 and 2014, the Authority had \$9.9 million and \$9.9 million, respectively, in capital assets, including land acquisitions and improvements. The balance as of December 31, 2015 is net of current year depreciation of \$0.1 million.

Debt Administration

During 2014, the Authority approved the issuance of \$22.6 million in bonds for the purpose of paying the costs to acquire land and construct community improvements. As of December 31, 2015 and 2014, the Authority has issued bonds totaling \$10.1 million and \$9.9 million, respectively.

Economic Conditions

On September 24, 2014, the Authority issued \$7.5 million in Community Facilities Bonds, Series A, for the purpose of providing funds to pay the costs of land acquisition. The Series A bonds were issued as two term bonds with a stated maturity date of September 24, 2054. Interest on the bonds is accrued monthly using a 9% per annum rate. Principal and interest payments are made in accordance with the bond agreement. The Series A bonds have been fully funded. Current cash flow projections for the Authority estimate the Series A bonds will be fully paid prior to maturity.

On September 24, 2014, the Authority approved the issuance of an additional \$15.1 million in Community Facilities Bonds Series B, for the purpose of providing funds to pay the costs of land acquisition and development and the construction of community improvements. The Series B bonds were issued as two term bonds with a stated maturity date of September 24, 2054. Interest on the bonds is accrued monthly. The interest rate for the first advance of the Series B bonds is 7.8% 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) 2.9%. Principal and interest payments are made in accordance with the bond agreement. The Series B bonds have been funded to the amount of \$2.6 million as of December 31, 2015, and the Authority expects to have the bonds fully funded within two years. Current cash flow projections for the Authority estimate the Series B bonds will be fully paid prior to maturity.

The Authority's community development charges are pledged to the payment of interest of Series A and B bonds, pro rata. Once accrued interest has been made current, community development charges are pledged to the principal payment of the Series A bonds, followed by the Series B 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.

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STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets		
Cash and cash equivalents	\$ 485	\$ 485
Inventory	8,277	8,277
Total current assets	<u>8,762</u>	<u>8,762</u>
Noncurrent assets		
Nondepreciable capital assets	8,625,092	9,947,613
Depreciable capital assets, net	1,237,307	-
Total noncurrent assets	<u>9,862,399</u>	<u>9,947,613</u>
Total assets	<u>\$ 9,871,161</u>	<u>\$ 9,956,375</u>
Liabilities:		
Current liabilities		
Accounts payable	\$ 8,925	\$ 124,762
Total current liabilities	<u>8,925</u>	<u>124,762</u>
Noncurrent liabilities		
Developer payable	68,097	13,587
Accrued interest payable	1,103,221	230,538
Bonds payable	10,102,300	9,924,276
Total noncurrent liabilities	<u>11,273,618</u>	<u>10,168,401</u>
Total liabilities	<u>11,282,543</u>	<u>10,293,163</u>
Net position:		
Net investment in capital assets	(266,235)	(102,370)
Unrestricted	(1,145,147)	(234,418)
Total net position	<u>(1,411,382)</u>	<u>(336,788)</u>
Total liabilities and net position	<u>\$ 9,871,161</u>	<u>\$ 9,956,375</u>

See accompanying notes to the basic financial statements.

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

	2015	2014
Operating revenues:		
Community development charges	\$ 18,768	\$ 18,380
Total operating revenues	18,768	18,380
Operating expenses:		
Common area repair, maintenance and utilities	38,772	28,722
Administrative costs, including bank fees	691	1,290
Management fees	5,375	-
Professional fees	25,887	3,200
Insurance	11,478	-
Depreciation	148,986	-
Total operating expenses	231,189	33,212
Operating loss	(212,421)	(14,832)
Non-operating expenses:		
Interest expense	(847,293)	(229,594)
Legal fees	(14,880)	(77,582)
Total non-operating expenses	(862,173)	(307,176)
Change in net position	(1,074,594)	(322,008)
Net position beginning of year	(336,788)	(14,780)
Net position end of year	\$ (1,411,382)	\$ (336,788)

See accompanying notes to the basic financial statements.

**NORTHSTAR NEW COMMUNITY AUTHORITY
DELAWARE COUNTY**

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Cash received from community development charges	\$ 18,768	\$ 18,380
Cash received from developer	54,510	13,587
Cash payments to suppliers for goods and services	(73,278)	(41,489)
Net cash used in operating activities	-	(9,522)
Cash flows from capital and related financing activities:		
Cash payments for capital acquisitions	(163,144)	(9,821,906)
Cash payments for financing activities	(14,880)	(102,370)
Cash received from bond proceeds	178,024	9,924,276
Cash received on disbursements from fiscal agent	-	10,007
Net cash provided by capital and related financing activities	-	10,007
Increase in cash and cash equivalents	-	485
Cash and cash equivalents at beginning of year	485	-
Cash and cash equivalents at end of year	\$ 485	\$ 485
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (212,421)	\$ (14,832)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	148,986	-
Changes in assets and liabilities:		
Inventory	-	(8,277)
Accounts payable	8,925	-
Developer payable	54,510	13,587
Net cash used in operating activities	\$ -	\$ (9,522)

Schedule of noncash transactions:

At December 31, 2015 and 2014, the Authority had capital-related payables totaling \$0 and \$124,762, respectively, and capitalized interest totaling \$25,390 and \$944, respectively.

See accompanying notes to the basic financial statements.

**NORTHSTAR NEW COMMUNITY AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 - REPORTING ENTITY

The Northstar New Community Authority, Delaware County, Ohio (the “Authority”) is a community authority created pursuant to Chapter 349 of the Ohio Revised Code (ORC). During July 2007, North Star Land, LLC filed a petition (the Petition) for creation of the Authority with the Board of County Commissioners of Delaware County, Ohio. All rights of the Developer have since been assigned to and assumed by North Star Residential, LLC (the Developer). 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 community improvements with assessed community development charges of up to 9 mills on the assessed value of the land and improvements within the Authority. The Petition was adopted by the Board of County Commissioners with Resolution No. 07-985 on August 16, 2007.

By its Resolution, the Board of County Commissioners of Delaware County determined the new community authority would be conducive to the public health, safety, convenience and welfare, and that it was intended to result in the development of a new community as described in the ORC. 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 Delaware County appointed four of the trustees and the remaining three trustees were appointed by the Developer. At December 31, 2015, all board positions were filled.

The new community authority is comprised of approximately 1,700 acres of land located in the Townships of Berkshire and Kingston, Delaware County, Ohio. The land is located in the northeast quadrant of Interstate 71 and U.S. Route 36/State Route 37, approximately 10 miles north of Interstate 270. Upon completion, the boundaries will contain an 18-hole golf course, residential units and commercial office and retail space, along with a site for elementary and middle schools, and 400 acres of open space. The entire project includes the acquisition and/or construction of waterline, sanitary sewer, main line sanitary sewer, storm sewer, bike path, roads 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 Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements 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.

**NORTHSTAR NEW COMMUNITY AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statements of Cash Flows reflect 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. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenses when consumed rather than when purchased.

E. Capital Assets and Depreciation

Capital assets, including land, land improvements, buildings, building improvements and infrastructure assets, if applicable, are reported in the Statements 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 value 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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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.

The developer payable balance 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 at fiscal year-end.

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 community development charges. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the Authority. All revenues and expenses not meeting this definition are reported as non-operating.

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.

J. Reclassifications

Certain reclassifications have been made to the prior year's basic financial statements to conform to the current year's presentation.

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

The carrying amount of the Authority's deposits at December 31, 2015 and 2014 was \$485 for each year and the bank balance was equal to the carrying value. The Authority's entire bank balance was covered by the Federal Depository Insurance Corporation (FDIC).

**NORTHSTAR NEW COMMUNITY AUTHORITY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 4 – COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community development charge up to 9 mills on the assessed value of all chargeable property, as defined, within the boundaries of the Authority. Community development charge revenue recognized in the years 2015 and 2014 represents the amounts levied for each respective year.

These charges were levied based on the County Auditor’s assessed value as of January 1 of each 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 Statements of Revenues, Expenses and Changes in Net Position. All amounts were collected for the years 2015 and 2014.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

Description	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Non-depreciated capital assets:					
Land	\$ 9,947,613	\$ -	\$ -	\$ (1,385,494)	\$ 8,562,119
Construction in progress	-	63,772	-	(799)	62,973
Total nondepreciable capital assets	<u>9,947,613</u>	<u>63,772</u>	<u>-</u>	<u>(1,386,293)</u>	<u>8,625,092</u>
Capital assets, depreciable:					
Land Improvements	-	-	-	1,386,293	1,386,293
Total depreciable capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,386,293</u>	<u>1,386,293</u>
Total capital assets	<u>9,947,613</u>	<u>63,772</u>	<u>-</u>	<u>-</u>	<u>10,011,385</u>
Less accumulated depreciation for:					
Land Improvements	-	(148,986)	-	-	(148,986)
Total accumulated depreciation	<u>-</u>	<u>(148,986)</u>	<u>-</u>	<u>-</u>	<u>(148,986)</u>
Total depreciable assets, net	<u>-</u>	<u>(148,986)</u>	<u>-</u>	<u>1,386,293</u>	<u>1,237,307</u>
Total capital assets, net	<u>\$ 9,947,613</u>	<u>\$ (85,214)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,862,399</u>

**NORTHSTAR NEW COMMUNITY AUTHORITY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Capital asset activity for the year ended December 31, 2014, was as follows:

Description	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Non-depreciated capital assets:					
Land	\$ -	\$ 9,947,613	\$ -	\$ -	\$ 9,947,613
Total nondepreciable capital assets	<u>\$ -</u>	<u>\$ 9,947,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,947,613</u>

Capitalized Interest

The Authority issued Series A and Series B Community Facilities Bonds for the purpose of providing funds to pay the costs of land acquisition and development and the construction of community improvements.

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 projects from the date the debt was issued. Interest capitalized during 2015 and 2014 was \$25,390 and \$944, respectively. Interest costs not capitalized are expensed.

**NORTHSTAR NEW COMMUNITY AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6 – BONDS PAYABLE

Bonds payable activity for the years ended December 31, 2015 and 2014 was as follows:

	Beginning Balance	Draws	Repayments	Ending Balance
December 31, 2015				
2014 Series A	\$ 7,515,000	\$ -	\$ -	\$ 7,515,000
2014 Series B	2,409,276	178,024	-	2,587,300
Total	\$ 9,924,276	\$ 178,024	\$ -	\$ 10,102,300
December 31, 2014				
2014 Series A	\$ -	\$ 7,515,000	\$ -	\$ 7,515,000
2014 Series B	-	2,409,276	-	2,409,276
Total	\$ -	\$ 9,924,276	\$ -	\$ 9,924,276

There are no amounts due within one year as of December, 31 2015 and 2014.

Community Facilities Bonds – 2014 Series A

On September 24, 2014, the Authority issued \$7.5 million in Community Facilities Bonds, Series A, for the purpose of providing funds to pay the costs of land acquisition. The bonds were sold to related parties of the Developer, with each purchasing 50% of the par amount of the Series A bonds at a purchase price of \$3.8 million.

The Series A bonds were issued as two term bonds with a stated maturity date of September 24, 2054. Interest on the bonds is accrued monthly using a 9% per annum rate. Principal and interest payments are made in accordance with the bond agreement.

Community Facilities Bonds – 2014 Series B

On September 24, 2014, the Authority approved the issuance of an additional \$15.1 million in Community Facilities Bonds, Series B, for the purpose of providing funds to pay the costs of land acquisition and development and the construction of community facilities. The bonds were sold to related parties of the Developer, with each purchasing 50% of the par amount of the Series B bonds at a purchase price of \$7.5 million.

**NORTHSTAR NEW COMMUNITY AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

The Series B bonds were issued as two term bonds with a stated maturity of September 24, 2054. Interest on the bonds is accrued monthly. The interest rate for the first advance of Series B bonds is 7.8% 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) 2.9%. Principal and interest payments are made in accordance with the bond agreement.

The Authority's community development charges are pledged to the payment of interest of Series A and B bonds, pro rata. Once accrued interest has been made current, community development charges are pledged to the principal payment of the Series A bonds, followed by the Series B bonds.

NOTE 7 – RISK MANAGEMENT

The Authority has casualty, crime, and public officials 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 crime is written on a deductible basis. Casualty coverage is written with no deductible. Public officials coverage is written with a \$100,000 retention.

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

NOTE 8 – CONTRACTUAL COMMITMENTS

Land Acquisition Agreement

On September 24, 2012, the Authority entered into a land acquisition agreement with the Developer to purchase parcels of real property consisting of approximately 550 acres and any and all improvements located thereon. The purchase price is \$36,527 per acre and is payable from proceeds of the Authority's bonds. During 2014, the Authority purchased 234 acres for \$8.6 million. The remaining balance of 316 acres, totaling \$11.5 million will be purchased in future years.

The Authority did not have any additional contractual commitments outstanding at year-end.

**NORTHSTAR NEW COMMUNITY AUTHORITY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 - 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 charge 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 Delaware 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 related parties of the Developer.

NOTE 10 - CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

NOTE 11 - ACCUMULATED DEFICIT OF NET POSITION

At December 31, 2015 and 2014, the Authority has an accumulated deficit net position of \$1.4 million and \$0.3 million, respectively. This deficit is a result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publicly owned and operated community land and facilities, and has incurred such costs. The related deficit will be reduced and eliminated as outstanding debt is paid with future community development charges.

NOTE 12 - SUBSEQUENT EVENT

As of the date of issuance of this report, the Authority has drawn down an additional \$5,519 of the Series B bonds.



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

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

Northstar New Community Authority
Delaware 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 Northstar New Community Authority, Delaware County, Ohio, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Northstar New Community Authority's basic financial statements and have issued our report thereon dated May 20, 2016, wherein we noted Northstar New Community Authority experienced a decrease in net position and a net position deficit during the year ended December 31, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Northstar New 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 Northstar New 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 Northstar New 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
Northstar New Community Authority

Compliance and Other Matters

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



Julian & Grube, Inc.
May 20, 2016



Dave Yost • Auditor of State

NORTHSTAR NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 5, 2016**