



**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY**

INITIAL AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2017-2016



Dave Yost • Auditor of State

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY
FOR YEARS ENDED DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Heritage Preserve Community Authority
Franklin County
1173 McCleary Court
Columbus, Ohio 43235

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Heritage Preserve Community Authority, Franklin County, Ohio (the Authority) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Authority prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Authority does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Heritage Preserve Community Authority, Franklin County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the 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 Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 28, 2018

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN NET POSITION (CASH BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2017

Operating Cash Receipts	
City Impact Fees and	
Per Unit Developer Contributions (Note 4)	\$ 342,500
New Community Charges (Note 5)	46,306
Developer Contribution (Note 6)	10,592
	<hr/>
Total Operating Cash Receipts	399,398
	<hr/>
Operating Cash Disbursements	
Interest payment to Grand Communities (Note 7)	342,500
Interest payment to Planned Development (Note 7)	44,956
Administration Costs (Note 6)	10,592
	<hr/>
Total Operating Cash Disbursements	398,048
	<hr/>
Net operating cash receipts over operating cash disbursements	1,350
Net cash position, January 1	<hr/> 1,600
Net cash position, December 31	<hr/> <hr/> \$ 2,950

The notes to the financial statements are an integral part of this statement.

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**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Heritage Preserve Community Authority, Franklin County, Ohio (the "Authority") is a community authority created pursuant to Chapter 349 of the Ohio Revised Code (ORC). The Authority was created on March 24, 2014 by the City of Hilliard (the "City") Resolution No. 14-R-37. By that resolution, the City 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.

Heritage Preserve is a new community located on approximately 418.75 acres of land located on the west side of Alton Darby Road and on the north and south sides of Davis Road (the "Property"). On the Property, Planned Development Company of Ohio and Grand Communities, Ltd. (collectively, the "Developer") plan to construct a new community with a maximum of 405 single-family residential lots and 282 multi-family dwelling units, leaving approximately 230 acres of land for open space and public parkland (the "Project"). The Authority provides a means for the Developer to be reimbursed for constructing certain public infrastructure improvements, as these improvements will provide a direct benefit to the Property, the new community and to the residents of the City.

The Authority can assess a development charge equal to 5 mills on the value of each residential unit constructed; and to use the amounts collected from the 5 mills to reimburse the Developer, its successors or assigns, for costs of the improvements that are not reimbursed by the City and the costs of forming and administering the Authority.

By law, the Authority is governed by a seven-member board of trustees (the "Board"). The City has one representative on the Board and appoints an additional three representatives to the Board. The remaining three representatives on the Board are appointed by the Developer. At December 31, 2017, there was one vacant Board position. This Board position was filled by the City subsequent to year-end as evidenced by City Resolution 18-R-19 adopted on February 26, 2018.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State (AOS) prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Authority recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The financial statements are prepared in accordance with the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

These statements include adequate disclosure of material matters, as the AOS prescribes or permits.

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation

The Authority's financial statements consist of a statement of receipts, disbursements and changes in net position (cash basis). The Authority uses one enterprise fund to maintain its cash basis financial records during the fiscal year.

D. Deposits

The Authority maintains one depository account at a financial institution.

NOTE 2 - DEPOSITS

The carrying amount and bank balance of the Authority's deposits at December 31, 2017 was \$2,950. The Authority's entire balance was covered by the Federal Depository Insurance Corporation (FDIC).

NOTE 3 - DEVELOPER'S AGREEMENT AND AMENDMENTS

On April 23, 2013, a Developer's Agreement (the "Developer's Agreement") was entered into between Planned Development Company of Ohio ("PDC"), Danken LLC, and the City.

According to the Developer's Agreement, the Developer owned the Property and intended to develop or cause it to be developed. The Developer, in consultation with the City, has identified a New Community Development Program ("NCDP") that includes certain improvements to be reimbursed by the City (further identified in the Developer's Agreement as the "Public Infrastructure Improvements") and other NCDP improvements ("NCDPI") identified with total estimated costs in 2013 of approximately \$5.7 million (collectively, the "Improvements").

The City and the Developer have agreed that the Developer will pay for constructing the Improvements, provided that the Developer is repaid the costs of constructing the Public Infrastructure Improvements, plus interest, from certain fees collected by the City for the Project, and the cost of all Improvements (not reimbursed by the City), plus interest shall be reimbursed to the Developer from the community development charges collected by the Authority.

The Developer shall be reimbursed for all of the Improvement costs, plus interest, and the Authority's costs, as provided in the Developer's Agreement (collectively, the "Reimbursement Amount"). The Developer shall be reimbursed by the City, plus interest (defined below), as defined, accrued on all unreimbursed balances thereof for construction of the Public Infrastructure Improvements in an amount that shall not exceed the total amount of the City Impact Fees and Per Unit Developer's Contribution charges (see Note 4) paid by the Developer or builder to the City. The Developer shall be reimbursed the cost of all Improvements not otherwise reimbursed by the City, plus interest, and on all actual unreimbursed balances, thereof, and the Authority costs from the Community Development Charge (see Note 5). In no instance shall payment to the Developer exceed the total costs of the Improvements plus interest and Authority costs. "Interest" shall mean interest at a rate which is the greater of (i) 7%, or (ii) a variable rate which changes quarterly and that is equal to the Federal Mid-Term rate as published each month by the Internal Revenue Service in accordance with Section 1274(d) of the Internal Revenue Code, plus 3%. All payments to the Developer shall first be applied to any accrued unpaid interest and then to any unreimbursed portion of the Reimbursement Amount except that payments from the City shall only be used to reimburse the costs and interest for Public Infrastructure Improvements.

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3 - DEVELOPER'S AGREEMENT AND AMENDMENTS - (Continued)

In conjunction with the Developer's Agreement and the development of the Project, the Developer has committed to dedicating any and all necessary rights-of-way and easements, at no cost to the City.

Current and future homeowners are required to pay an annual or bi-annual "Community Development Charge" which is further described in Note 5.

In accordance with the NCDP, the Developer pays for all the costs associated with the creation, operations and administration of the Authority. To reimburse the Developer for these costs, a 2% Community Development Authority Administration Fee (the "CDA Administration Fee") is charged based on the total estimated costs of the Project. In accordance with the NCDP, the Developer also charges a 2% Construction Administration Fee.

On December 10, 2013, the First Amendment to the Developer's Agreement with PDC, Danken LLC, and the City was approved. This first amendment reduced the City's plan review fee to 2% and reduced the inspection fee to 6% due to the number and magnitude of the required infrastructure improvements required to be made by the Developer.

On December 10, 2013, a Second Amendment to the Developer's Agreement was entered into by PDC, Danken LLC, the City, and Grand Communities, Ltd. ("Grand Communities"). PDC had conveyed 53.292 acres of the Property to the City as required by the zoning text and Developer's Agreement. PDC owned and/or controlled approximately 30 acres of the Property, which is the portion of the Project to be developed into multi-family dwelling units; Grand Communities owned and controlled the balance of the Property (337 acres), and Grand Communities is the Developer of the Project for these 337 acres of Property. PDC and Danken assigned their interest, both individually and collectively, in the Developer's Agreement to Grand Communities.

The 53.292 acres conveyed to the City was excluded from the New Community District by the Second Amendment.

Upon the approval of the Second Amendment to the Developer's Agreement, Danken LLC is no longer a Developer as defined in the Developer's Agreement. There are now two Developers of the Project, Grand Communities and PDC.

Upon approval of the Second Amendment to the Developer's Agreement, the \$1,500 City Impact Fee and the \$1,000 Per Unit Development Contribution (see Note 4) are collected by the Authority and disbursed to Grand Communities. Community Development Charges (see Note 5) collected by the Authority are disbursed to PDC.

On April 10, 2014, the Authority entered into a Purchase and Reimbursement Agreement with Grand Communities and PDC for the construction and dedication of the NCDPI in accordance with the Developer's Agreement.

NOTE 4 - CITY IMPACT FEE AND PER UNIT DEVELOPER CONTRIBUTION

Each builder of a residential unit on the Property shall pay to the City, prior to the issuance of a building permit (as required by Chapter 1187 of the ORC), an impact fee of \$1,500 (the "City Impact Fee") for each residential unit that it constructs on the Property.

In addition to the City Impact Fee, each builder of residential units on the property shall pay to the City \$1,000 per residential unit (the "Per Unit Developer's Contribution"). The Per Unit Developer's Contribution shall be paid to the City simultaneously with payment of the City Impact Fee.

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - CITY IMPACT FEE AND PER UNIT DEVELOPER CONTRIBUTION - (Continued+)

All City Impact Fees and Per Unit Developer's Contributions collected from the construction of all single-family units and from multi-family residential units on the Property shall be used by the City for the purpose of paying the Reimbursement Amount to the Developer.

The Authority received \$342,500 in City Impact Fees and Per Unit Development Contributions during 2017. These receipts are reported in the Statement of Receipts, Disbursements, and Changes in Net Position (Cash Basis).

NOTE 5 - COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community development charge up to 5 mills on the assessed value of all chargeable property, as defined, within the boundaries of the Authority (the "Community Development Charge"). These charges are levied based on the Auditor of Franklin County, Ohio's (the "Franklin County Auditor") assessed value as of January 1. The assessed value is established by state law at 35% of the current market value based on the Franklin County Auditor's tax duplicate. If the assessed valuation listed on the tax duplicate for the preceding year does not reflect the completed value of a residential or commercial structure on a parcel and an occupancy permit for such structure has been issued by a governmental authority for that parcel, then, solely at the Board's discretion, "assessed valuation" shall include the cost of the residential or commercial structure stated on the building permit. If the Franklin County Auditor and any other official authorized by Ohio law to assess real estate in Franklin County shall ever cease to assess real estate or if an assessed valuation has not yet been listed on the tax duplicate of the Franklin County Auditor for the preceding year, "assessed valuation" shall mean, as to any chargeable parcel for each year thereafter, the assessed valuation determined by the Board at its sole and absolute discretion.

The Authority shall, within 30 days of each collection, distribute the Community Development Charge to the Developer until such time as the Reimbursement Amount, plus interest, has been reimbursed to the Developer. Each time that a distribution of the Community Development Charge is made by the Authority to the Developer, the amount of the Reimbursement Amount that remains to be reimbursed, and interest accrued thereon, shall be reduced in an amount equal to such payment.

The Authority received \$46,306 in Community Development Charges during 2017. These receipts are reported on the Statement of Receipts, Disbursements, and Changes in Net Position (Cash Basis).

NOTE 6 - ADMINISTRATION COSTS

The Developer pays the costs to support the Authority's operations. Authority operating costs are reported as administrative fees on the financial statements. During 2017, the Developer paid \$10,592 in administrative fees and is reimbursed for these costs through the CDA Administration Fee assessed in accordance with the NCDP (see Note 3).

NOTE 7 - BONDS PAYABLE

The Authority issues bonds as certain phases of the Project are completed. These bonds are issued and registered with the Internal Revenue Service after the constructed asset is formally accepted by City. Prior to the issuance of the bonds, the City reviews and approves all costs incurred toward constructing the NCDPI. Prior to the issuance of bonds, interest accrues on expenditures made at a taxable rate. After the bonds are issued, the interest continues to accrue but is tax-free from the date of bond issuance through the period of time equal to the useful life of the asset.

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7 - BONDS PAYABLE - (Continued)

Bonds issued by the Authority are secured by the City Impact Fees and Per Unit Development Contribution (see Note 4) and the Community Development Charge (see Note 5). At December 31, 2017, the Authority had two bonds issued and outstanding as follows:

- A. On May 10, 2016, the Authority issued \$2,560,000 in Special Obligation Community Facilities Revenue Bonds Series 2016A (Heritage Preserve Project – Phase I). The Bonds were issued for the purpose of providing community facilities. The Bonds were purchased by PDC. The proceeds of the issue are used to reimburse PDC for construction costs incurred in Phase I of the Heritage Preserve Project. The Bonds are secured by Community Development Charges levied upon applicable homeowners.

The interest rate on the bonds is the greater of (1) 7%, or (ii) a variable rate which changes quarterly and that is equal to the Federal Mid Term Rate as published each month by the Internal Revenue Service in accordance with Section 1274(d) of the Internal Revenue Code, plus 3%. The principal maturity schedule for the Series 2016A Bonds is as follows:

Principal Payment Date	Principal Amount Due	Principal Payment Date	Principal Amount Due
March 1, 2021	\$ 101,874.24	March 1, 2029	\$ 175,038.91
March 1, 2022	\$ 109,005.44	March 1, 2030	\$ 187,291.63
March 1, 2023	\$ 116,635.82	March 1, 2031	\$ 200,402.05
March 1, 2024	\$ 124,800.32	March 1, 2032	\$ 214,430.19
March 1, 2025	\$ 133,536.35	March 1, 2033	\$ 229,440.30
March 1, 2026	\$ 142,883.89	March 1, 2034	\$ 245,501.13
March 1, 2027	\$ 152,885.76	March 1, 2035	\$ 262,686.20
March 1, 2028	\$ 163,587.77		

Per the provisions of the Purchase and Reimbursement Agreement dated April 10, 2014 by and among the Authority, Grand Communities, and PDC, to the extent that Grand Communities is reimbursed from City Impact Fees or Per Unit Developer’s Contributions, such reimbursements shall operate as a payment against, first, accrued and unpaid interest on the bonds and, second, principal on the Bonds.

During 2017, no principal payments were made on the Series 2016A bonds. Payments made to Grand Communities and PDC during 2017 represent interest accrued on the Project.

- B. On May 10, 2016, the Authority issued \$510,000 in Special Obligation Community Facilities Revenue Bonds Series 2016B (Heritage Preserve Project – Phase I). The Bonds were issued for the purpose of providing community facilities. The Bonds were purchased by PDC. The proceeds of the issue are used to reimburse PDC for construction costs incurred in Phase I of the Heritage Preserve Project. The Bonds are secured by Community Development Charges levied upon applicable homeowners.

The interest rate on the bonds is the greater of (1) 7%, or (ii) a variable rate which changes quarterly and that is equal to the Federal Mid Term Rate as published each month by the Internal Revenue Service in accordance with Section 1274(d) of the Internal Revenue Code, plus 3%.

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7 - BONDS PAYABLE - (Continued)

The principal maturity schedule for the Series 2016B Bonds is as follows:

<u>Principal Payment Date</u>	<u>Principal Amount Due</u>	<u>Principal Payment Date</u>	<u>Principal Amount Due</u>
March 1, 2021	\$ 4,627.19	March 1, 2037	\$ 13,660.21
March 1, 2022	\$ 4,951.09	March 1, 2038	\$ 14,616.43
March 1, 2023	\$ 5,297.67	March 1, 2039	\$ 15,639.58
March 1, 2024	\$ 5,668.50	March 1, 2040	\$ 16,734.35
March 1, 2025	\$ 6,065.30	March 1, 2041	\$ 17,905.75
March 1, 2026	\$ 6,489.87	March 1, 2042	\$ 19,159.16
March 1, 2027	\$ 6,944.16	March 1, 2043	\$ 20,500.30
March 1, 2028	\$ 7,430.25	March 1, 2044	\$ 21,935.32
March 1, 2029	\$ 7,950.37	March 1, 2045	\$ 23,470.79
March 1, 2030	\$ 8,506.89	March 1, 2046	\$ 25,113.75
March 1, 2031	\$ 9,102.38	March 1, 2047	\$ 26,871.71
March 1, 2032	\$ 9,739.54	March 1, 2048	\$ 28,752.73
March 1, 2033	\$ 10,421.31	March 1, 2049	\$ 30,765.42
March 1, 2034	\$ 11,150.80	March 1, 2050	\$ 32,919.00
March 1, 2035	\$ 11,931.36	March 1, 2051	\$ 35,223.33
March 1, 2036	\$ 12,766.55	March 1, 2052	\$ 37,688.94

Per the provisions of the Purchase and Reimbursement Agreement dated April 10, 2014 by and among the Authority, Grand Communities, and PDC, to the extent that Grand Communities is reimbursed from City Impact Fees or Per Unit Developer's Contributions, such reimbursements shall operate as a payment against, first, accrued and unpaid interest on the bonds and, second, principal on the Bonds.

During 2017, no principal payments were made on the Series 2016B bonds. Payments made to Grand Communities and PDC during 2017 represent interest accrued on the Project.

A summary of the NCDPI activity at December 31, 2017 is as follows:

	<u>Project Costs</u>	<u>Accrued Interest</u>
Series 2016A Bonds	\$ 2,560,000	\$ 675,846
Series 2016B Bonds	510,000	134,381
Other costs in various stages of completion	<u>3,360,660</u>	<u>248,131</u>
Total	<u>\$ 6,430,660</u>	<u>\$ 1,058,358</u>

At December 31, 2017, accrued but unpaid interest was equal to \$132,164.

NOTE 8 - CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN NET POSITION (CASH BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2016

Operating Cash Receipts	
City Impact Fees and	
Per Unit Developer Contributions (Note 4)	\$ 358,500
New Community Charges (Note 5)	9,868
Developer Contribution (Note 6)	15,375
	<hr/>
Total Operating Cash Receipts	383,743
	<hr/>
Operating Cash Disbursements	
Interest payment to Grand Communities (Note 7)	358,500
Interest payment to Planned Development (Note 7)	4,868
Administration Costs (Note 6)	15,375
Reimbursement payment	
of organization costs (Note 3)	5,000
	<hr/>
Total Operating Cash Disbursements	383,743
	<hr/>
Net operating cash receipts over operating cash disbursements	-
Net cash position, January 1	<hr/> 1,600
Net cash position, December 31	<hr/> <hr/> \$ 1,600

The notes to the financial statements are an integral part of this statement.

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**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Heritage Preserve Community Authority, Franklin County, Ohio (the "Authority") is a community authority created pursuant to Chapter 349 of the Ohio Revised Code (ORC). The Authority was created on March 24, 2014 by the City of Hilliard (the "City") Resolution No. 14-R-37. By that resolution, the City 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.

Heritage Preserve is a new community located on approximately 418.75 acres of land located on the west side of Alton Darby Road and on the north and south sides of Davis Road (the "Property"). On the Property, Planned Development Company of Ohio and Grand Communities, Ltd. (collectively, the "Developer") plan to construct a new community with a maximum of 405 single-family residential lots and 282 multi-family dwelling units, leaving approximately 230 acres of land for open space and public parkland (the "Project"). The Authority provides a means for the Developer to be reimbursed for constructing certain public infrastructure improvements, as these improvements will provide a direct benefit to the Property, the new community and to the residents of the City.

The Authority can assess a development charge equal to 5 mills on the value of each residential unit constructed; and to use the amounts collected from the 5 mills to reimburse the Developer, its successors or assigns, for costs of the improvements that are not reimbursed by the City and the costs of forming and administering the Authority.

By law, the Authority is governed by a seven-member board of trustees (the "Board"). The City has one representative on the Board and appoints an additional three representatives to the Board. The remaining three representatives on the Board are appointed by the Developer. At December 31, 2016, all board positions were filled.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State (AOS) prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Authority recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The financial statements are prepared in accordance with the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

These statements include adequate disclosure of material matters, as the AOS prescribes or permits.

C. Basis of Presentation

The Authority's financial statements consist of a statement of receipts, disbursements and changes in net position (cash basis). The Authority uses one enterprise fund to maintain its cash basis financial records during the fiscal year.

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Deposits

The Authority maintains one depository account at a financial institution.

NOTE 2 - DEPOSITS

The carrying amount and bank balance of the Authority's deposits at December 31, 2016 was \$1,600. The Authority's entire balance was covered by the Federal Depository Insurance Corporation (FDIC).

NOTE 3 - DEVELOPER'S AGREEMENT AND AMENDMENTS

On April 23, 2013, a Developer's Agreement (the "Developer's Agreement") was entered into between Planned Development Company of Ohio ("PDC"), Danken LLC, and the City.

According to the Developer's Agreement, the Developer owned the Property and intended to develop or cause it to be developed. The Developer, in consultation with the City, has identified a New Community Development Program ("NCDP") that includes certain improvements to be reimbursed by the City (further identified in the Developer's Agreement as the "Public Infrastructure Improvements") and other NCDP improvements ("NCDPI") identified with total estimated costs in 2013 of approximately \$5.7 million (collectively, the "Improvements").

The City and the Developer have agreed that the Developer will pay for constructing the Improvements, provided that the Developer is repaid the costs of constructing the Public Infrastructure Improvements, plus interest, from certain fees collected by the City for the Project, and the cost of all Improvements (not reimbursed by the City), plus interest shall be reimbursed to the Developer from the community development charges collected by the Authority.

The Developer shall be reimbursed for all of the Improvement costs, plus interest, and the Authority's costs, as provided in the Developer's Agreement (collectively, the "Reimbursement Amount"). The Developer shall be reimbursed by the City, plus interest (defined below), as defined, accrued on all unreimbursed balances thereof for construction of the Public Infrastructure Improvements in an amount that shall not exceed the total amount of the City Impact Fees and Per Unit Developer's Contribution charges (see Note 4) paid by the Developer or builder to the City. The Developer shall be reimbursed the cost of all Improvements not otherwise reimbursed by the City, plus interest, and on all actual unreimbursed balances, thereof, and the Authority costs from the Community Development Charge (see Note 5). In no instance shall payment to the Developer exceed the total costs of the Improvements plus interest and Authority costs. "Interest" shall mean interest at a rate which is the greater of (i) 7%, or (ii) a variable rate which changes quarterly and that is equal to the Federal Mid-Term rate as published each month by the Internal Revenue Service in accordance with Section 1274(d) of the Internal Revenue Code, plus 3%. All payments to the Developer shall first be applied to any accrued unpaid interest and then to any unreimbursed portion of the Reimbursement Amount except that payments from the City shall only be used to reimburse the costs and interest for Public Infrastructure Improvements.

In conjunction with the Developer's Agreement and the development of the Project, the Developer has committed to dedicating any and all necessary rights-of-way and easements, at no cost to the City.

The Developer shall be responsible for paying the costs associated with creating the Authority and the City shall provide its cooperation in creation of the Authority. The Authority shall also reimburse the Developer for the costs of creating the Authority up to \$5,000. Current and future homeowners are required to pay an annual or bi-annual "Community Development Charge" which is further described in Note 5.

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

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

NOTE 3 - DEVELOPER'S AGREEMENT AND AMENDMENTS - (Continued)

In accordance with the NCDP, the Developer pays for all the costs associated with the creation, operations and administration of the Authority. To reimburse the Developer for these costs, a 2% Community Development Authority Administration Fee (the "CDA Administration Fee") is charged based on the total estimated costs of the Project. In addition, during 2016, the Authority reimbursed the Developer for \$5,000 in costs related to the creation of the Authority. In accordance with the NCDP, the Developer also charges a 2% Construction Administration Fee.

On December 10, 2013, the First Amendment to the Developer's Agreement with PDC, Danken LLC, and the City was approved. This first amendment reduced the City's plan review fee to 2% and reduced the inspection fee to 6% due to the number and magnitude of the required infrastructure improvements required to be made by the Developer.

On December 10, 2013, a Second Amendment to the Developer's Agreement was entered into by PDC, Danken LLC, the City, and Grand Communities, Ltd. ("Grand Communities"). PDC had conveyed 53.292 acres of the Property to the City as required by the zoning text and Developer's Agreement. PDC owned and/or controlled approximately 30 acres of the Property, which is the portion of the Project to be developed into multi-family dwelling units; Grand Communities owned and controlled the balance of the Property (337 acres), and Grand Communities is the Developer of the Project for these 337 acres of Property. PDC and Danken assigned their interest, both individually and collectively, in the Developer's Agreement to Grand Communities.

The 53.292 acres conveyed to the City was excluded from the New Community District by the Second Amendment.

Upon the approval of the Second Amendment to the Developer's Agreement, Danken LLC is no longer a Developer as defined in the Developer's Agreement. There are now two Developers of the Project, Grand Communities and PDC. Grand Communities owned and controlled all the land to be included in the Heritage Preserve New Community District, with the exception of the 30 acres planned for multi-family dwelling units (and the 53 acres now owned by the City that was, by the Addendum, no longer to be included in the New Community District). PDC owned and/or controlled the 30 acres planned for multi-family dwelling units to be included in the New Community District. All of the property owned by Danken has been conveyed to or is subject to control of Grand Communities.

Upon approval of the Second Amendment to the Developer's Agreement, the \$1,500 City Impact Fee and the \$1,000 Per Unit Development Contribution (see Note 4) are collected by the Authority and disbursed to Grand Communities. Community Development Charges (see Note 5) collected by the Authority are disbursed to PDC.

On April 10, 2014, the Authority entered into a Purchase and Reimbursement Agreement with Grand Communities and PDC for the construction and dedication of the NCDPI in accordance with the Developer's Agreement.

NOTE 4 - CITY IMPACT FEE AND PER UNIT DEVELOPER CONTRIBUTION

Each builder of a residential unit on the Property shall pay to the City, prior to the issuance of a building permit (as required by Chapter 1187 of the ORC), an impact fee of \$1,500 (the "City Impact Fee") for each residential unit that it constructs on the Property.

In addition to the City Impact Fee, each builder of residential units on the property shall pay to the City \$1,000 per residential unit (the "Per Unit Developer's Contribution"). The Per Unit Developer's Contribution shall be paid to the City simultaneously with payment of the City Impact Fee.

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

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

NOTE 4 - CITY IMPACT FEE AND PER UNIT DEVELOPER CONTRIBUTION - (Continued)

All City Impact Fees and Per Unit Developer's Contributions collected from the construction of all single-family units and from multi-family residential units on the Property shall be used by the City for the purpose of paying the Reimbursement Amount to the Developer.

The Authority received \$358,500 in City Impact Fees and Per Unit Development Contributions during 2016. These receipts are reported in the Statement of Receipts, Disbursements, and Changes in Net Position (Cash Basis).

NOTE 5 - COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community development charge up to 5 mills on the assessed value of all chargeable property, as defined, within the boundaries of the Authority (the "Community Development Charge"). These charges are levied based on the Auditor of Franklin County, Ohio's (the "Franklin County Auditor") assessed value as of January 1. The assessed value is established by state law at 35% of the current market value based on the Franklin County Auditor's tax duplicate. If the assessed valuation listed on the tax duplicate for the preceding year does not reflect the completed value of a residential or commercial structure on a parcel and an occupancy permit for such structure has been issued by a governmental authority for that parcel, then, solely at the Board's discretion, "assessed valuation" shall include the cost of the residential or commercial structure stated on the building permit. If the Franklin County Auditor and any other official authorized by Ohio law to assess real estate in Franklin County shall ever cease to assess real estate or if an assessed valuation has not yet been listed on the tax duplicate of the Franklin County Auditor for the preceding year, "assessed valuation" shall mean, as to any chargeable parcel for each year thereafter, the assessed valuation determined by the Board at its sole and absolute discretion.

The Authority shall, within 30 days of each collection, distribute the Community Development Charge to the Developer until such time as the Reimbursement Amount, plus interest, has been reimbursed to the Developer. Each time that a distribution of the Community Development Charge is made by the Authority to the Developer, the amount of the Reimbursement Amount that remains to be reimbursed, and interest accrued thereon, shall be reduced in an amount equal to such payment.

The Authority received \$9,868 in Community Development Charges during 2016. These receipts are reported on the Statement of Receipts, Disbursements, and Changes in Net Position (Cash Basis).

NOTE 6 - ADMINISTRATION COSTS

The Developer pays the costs to support the Authority's operations. Authority operating costs are reported as administrative fees on the financial statements. During 2016, the Developer paid \$15,375 in administrative fees and will be reimbursed for these costs through the CDA Administration Fee assessed in accordance with the NCDP (see Note 3).

NOTE 7 - BONDS PAYABLE

The Authority issues bonds as certain phases of the Project are completed. These bonds are issued and registered with the Internal Revenue Service after the constructed asset is formally accepted by City. Prior to the issuance of the bonds, the City reviews and approves all costs incurred toward constructing the NCDPI. Prior to the issuance of bonds, interest accrues on expenditures made at a taxable rate. After the bonds are issued, the interest continues to accrue but is tax-free from the date of bond issuance through the period of time equal to the useful life of the asset.

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

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

NOTE 7 - BONDS PAYABLE - (Continued)

Bonds issued by the Authority are secured by the City Impact Fees and Per Unit Development Contribution (see Note 4) and the Community Development Charge (see Note 5). At December 31, 2016, the Authority had two bonds issued and outstanding as follows:

- A. On May 10, 2016, the Authority issued \$2,560,000 in Special Obligation Community Facilities Revenue Bonds Series 2016A (Heritage Preserve Project – Phase I). The Bonds were issued for the purpose of providing community facilities. The Bonds were purchased by PDC. The proceeds of the issue are used to reimburse PDC for construction costs incurred in Phase I of the Heritage Preserve Project. The Bonds are secured by Community Development Charges levied upon applicable homeowners.

The interest rate on the bonds is the greater of (1) 7%, or (ii) a variable rate which changes quarterly and that is equal to the Federal Mid Term Rate as published each month by the Internal Revenue Service in accordance with Section 1274(d) of the Internal Revenue Code, plus 3%. The principal maturity schedule for the Series 2016A Bonds is as follows:

Principal Payment Date	Principal Amount Due	Principal Payment Date	Principal Amount Due
March 1, 2021	\$ 101,874.24	March 1, 2029	\$ 175,038.91
March 1, 2022	\$ 109,005.44	March 1, 2030	\$ 187,291.63
March 1, 2023	\$ 116,635.82	March 1, 2031	\$ 200,402.05
March 1, 2024	\$ 124,800.32	March 1, 2032	\$ 214,430.19
March 1, 2025	\$ 133,536.35	March 1, 2033	\$ 229,440.30
March 1, 2026	\$ 142,883.89	March 1, 2034	\$ 245,501.13
March 1, 2027	\$ 152,885.76	March 1, 2035	\$ 262,686.20
March 1, 2028	\$ 163,587.77		

Per the provisions of the Purchase and Reimbursement Agreement dated April 10, 2014 by and among the Authority, Grand Communities, and PDC, to the extent that Grand Communities is reimbursed from City Impact Fees or Per Unit Developer’s Contributions, such reimbursements shall operate as a payment against, first, accrued and unpaid interest on the bonds and, second, principal on the Bonds.

During 2016, no principal payments were made on the Series 2016A bonds. Payments made to Grand Communities and PDC during 2016 represent interest accrued on the Project.

- B. On May 10, 2016, the Authority issued \$510,000 in Special Obligation Community Facilities Revenue Bonds Series 2016B (Heritage Preserve Project – Phase I). The Bonds were issued for the purpose of providing community facilities. The Bonds were purchased by PDC. The proceeds of the issue are used to reimburse PDC for construction costs incurred in Phase I of the Heritage Preserve Project. The Bonds are secured by Community Development Changes levied upon applicable homeowners.

The interest rate on the bonds is the greater of (1) 7%, or (ii) a variable rate which changes quarterly and that is equal to the Federal Mid Term Rate as published each month by the Internal Revenue Service in accordance with Section 1274(d) of the Internal Revenue Code, plus 3%.

**HERITAGE PRESERVE COMMUNITY AUTHORITY
FRANKLIN COUNTY, OHIO**

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

NOTE 7 - BONDS PAYABLE - (Continued)

The principal maturity schedule for the Series 2016B Bonds is as follows:

Principal Payment Date	Principal Amount Due	Principal Payment Date	Principal Amount Due
March 1, 2021	\$ 4,627.19	March 1, 2037	\$ 13,660.21
March 1, 2022	\$ 4,951.09	March 1, 2038	\$ 14,616.43
March 1, 2023	\$ 5,297.67	March 1, 2039	\$ 15,639.58
March 1, 2024	\$ 5,668.50	March 1, 2040	\$ 16,734.35
March 1, 2025	\$ 6,065.30	March 1, 2041	\$ 17,905.75
March 1, 2026	\$ 6,489.87	March 1, 2042	\$ 19,159.16
March 1, 2027	\$ 6,944.16	March 1, 2043	\$ 20,500.30
March 1, 2028	\$ 7,430.25	March 1, 2044	\$ 21,935.32
March 1, 2029	\$ 7,950.37	March 1, 2045	\$ 23,470.79
March 1, 2030	\$ 8,506.89	March 1, 2046	\$ 25,113.75
March 1, 2031	\$ 9,102.38	March 1, 2047	\$ 26,871.71
March 1, 2032	\$ 9,739.54	March 1, 2048	\$ 28,752.73
March 1, 2033	\$ 10,421.31	March 1, 2049	\$ 30,765.42
March 1, 2034	\$ 11,150.80	March 1, 2050	\$ 32,919.00
March 1, 2035	\$ 11,931.36	March 1, 2051	\$ 35,223.33
March 1, 2036	\$ 12,766.55	March 1, 2052	\$ 37,688.94

Per the provisions of the Purchase and Reimbursement Agreement dated April 10, 2014 by and among the Authority, Grand Communities, and PDC, to the extent that Grand Communities is reimbursed from City Impact Fees or Per Unit Developer's Contributions, such reimbursements shall operate as a payment against, first, accrued and unpaid interest on the bonds and, second, principal on the Bonds.

During 2016, no principal payments were made on the Series 2016B bonds. Payments made to Grand Communities and PDC during 2016 represent interest accrued on the Project.

A summary of the NCDPI activity at December 31, 2016 is as follows:

	Project Costs	Accrued Interest
Series 2016A Bonds	\$ 2,560,000	\$ 497,000
Series 2016B Bonds	510,000	99,000
Other costs in various stages of completion	1,634,000	90,000
Total	\$ 4,704,000	\$ 686,000

At December 31, 2016, accrued but unpaid interest was equal to \$149,000.

NOTE 8 - CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Heritage Preserve Community Authority
Franklin County
1173 McCleary Court
Columbus, Ohio 43235

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 cash balances, receipts and disbursements of the Heritage Preserve Community Authority, Franklin County, (the Authority) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 28, 2018, wherein we noted the Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 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.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 28, 2018



Dave Yost • Auditor of State

HERITAGE PRESERVE 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
DECEMBER 18, 2018