



Dave Yost • Auditor of State

**NEW ALBANY EAST COMMUNITY AUTHORITY
LICKING COUNTY
DECEMBER 31, 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows	7
Notes to the Basic Financial Statements	8
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

New Albany East Community Authority
Licking County
8000 Walton Parkway #120
New Albany, OH 43054

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the New Albany East Community Authority, Licking County, Ohio (the Authority), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Albany East Community Authority, Licking County, Ohio, as of December 31, 2016, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 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

October 22, 2018

The New Albany East Community Authority
Management's Discussion and Analysis
For the Period Ending December 31, 2016

The discussion and analysis of the New Albany East Community Authority's financial performance provides an overview of the Authority's financial performance as a whole for the years ended December 31, 2016. The intention 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.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued in June 1999. Certain comparative information between the current years and prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for 2016:

- Total assets increased \$308,588, or 127.29%, between 2016 and 2015. Total liabilities increased \$15,826 or 32.17% between 2016 and 2015. Total net position increased \$292,762 or 151.50%, between 2016 and 2015.
- Total revenues increased \$73,555 or 30.34%, between 2016 and 2015. Total expenditures decreased \$25,969 or 52.79%, between 2016 and 2015.

Using this Annual Financial Report

This financial report contains the basic financial statements of the Authority, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and change in net assets, and a statement of cash flows for the year 2016. As the Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Position

The statement of net position answers the question, "How did we do financially during the year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by private sector companies. This basis of accounting takes into account all revenues and expenses during the year regardless of when the cash is received or paid.

This statement reports the Authority's net position, however, in evaluating the overall position and financial viability of the Authority, non-financial information, such as the condition of Authority's capital assets, will also need to be evaluated.

The New Albany East Community Authority
Management's Discussion and Analysis
For the Period Ending December 31, 2016
(unaudited)

Summary Statement of Net Position

Assets:	<u>2016</u>	<u>2015</u>
Other Assets	<u>\$551,018</u>	<u>\$242,430</u>
Total Assets	<u>551,018</u>	<u>242,430</u>
Liabilities:		
Current Liabilities	<u>65,018</u>	<u>49,192</u>
Total Liabilities	<u>65,018</u>	<u>49,192</u>
Net Position:		
Unrestricted	<u>486,000</u>	<u>193,238</u>
Total Net Position	<u>\$486,000</u>	<u>\$ 193,238</u>

The increase in total assets between 2016 and 2015 was due to an increase in cash and equivalents of \$242,306 and an increase in accounts receivable of \$66,282. The increase in liabilities between 2016 and 2015 was due to an increase in accounts payable of \$15,826.

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

	<u>2016</u>	<u>2015</u>
Operating Revenues	\$ 315,985	\$ 242,430
Operating Expenses	<u>23,223</u>	<u>49,192</u>
Operating Income (Loss)	292,762	193,238
Non-Operating Revenue (Expenses)	<u>0</u>	<u>0</u>
Change in Net Position	\$ 292,762	\$ 193,238

The increase in operating revenues between 2016 and 2015 was due an increase of \$73,555 in the Community Development Charge. The decrease in total expenses between 2016 and 2015 was due to a decrease in legal fee expense of \$33,242, offset by an increase in assessment collection fees in the amount of \$7,273.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives, spends and invests. Questions concerning any of the information provided in this report or requests for additional information should be directed to Brent Bradbury, Chief Financial Officer, 8000 Walton Parkway, Suite 120, New Albany, Ohio 43054

New Albany East Community Authority
Statement of Net Position
December 31, 2016

Assets	
Equity in Pooled Cash and Cash Equivalents	\$242,306
Community Development Charge Receivable	<u>308,712</u>
<i>Total Assets</i>	<u>551,018</u>
 Liabilities	
Accounts payable	<u>65,018</u>
<i>Total Liabilities</i>	<u>65,018</u>
 Net Position	
Unrestricted	<u>486,000</u>
<i>Total Net Position</i>	<u><u>\$486,000</u></u>

See accompanying notes to the basic financial statements

New Albany East Community Authority
*Statement of Revenues,
Expenses and Changes in Net Position
December 31, 2016*

	<u>Total</u>
Operating Revenues	
Community development charge	<u>\$315,985</u>
<i>Total Operating Revenues</i>	<u>315,985</u>
Operating Expenses	
Assessment collection fees	7,273
Bank service charges	123
Legal fees	<u>15,827</u>
<i>Total Operating Expenses</i>	<u>23,223</u>
<i>Operating Income</i>	<u>292,762</u>
<i>Change in Net Position</i>	292,762
<i>Net Position Beginning of Year</i>	<u>193,238</u>
<i>Net Position End of Year</i>	<u><u>\$486,000</u></u>

See accompanying notes to the basic financial statements

New Albany East Community Authority
Statement of Cash Flows
December 31, 2016

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash received from community development charge	\$249,702
Cash payments for assessment collection fees	(7,273)
Cash payments for administrative expenses	<u>(123)</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>242,306</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	242,306
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$242,306</u></u>

Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities

Operating Income (Loss)	\$292,762
(Increase) Decrease in Assets:	
Community development charge receivable	(66,282)
Increase (Decrease) in Liabilities:	
Accounts payable	<u>15,826</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u><u>\$242,306</u></u>

See accompanying notes to the basic financial statements

New Albany East Community Authority
Licking County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2016

NOTE 1 - DESCRIPTION OF THE ENTITY

The New Albany East Community Authority (the Authority) is a “Community Authority” created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On November 18, 2014, the City Council for the City of New Albany, Ohio approved the petition (the Petition) filed by MBJ Holdings, LLC, (the Developer) for creation of the Authority. The Petition, which may be subject to amendment or change, allows the Authority to finance the costs of publicly owned and operate community facilities with assessed community development charges.

The Authority is governed by a seven member Board of Trustees. Three of the trustees are appointed by the City of New Albany, one of the trustees are a local government representative, and the remaining three are appointed by the Developer.

At December 31, 2016 the Authority is comprised of 382.17 acres of land located in Licking County, Ohio. In accordance with the Act and the Petition, the Authority can levy a community development charge up to 9.75 mils on the assessed value of the land and improvements within the District. The need and amount of the charge is determined annually by the Board of Trustees of the Authority.

The Authority’s management believes these financial statements present all activities for which the Authority is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the Authority’s accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

New Albany East Community Authority
Licking County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2016
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses the flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and liabilities are defined as net position. The statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Cash

Cash received by the Authority is deposited with a financial institution.

Custodial Credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. At December 31, 2016, the carrying and bank balance amount of the Authority's deposits were \$242,306. Federal Deposit Insurance Corporation (FDIC) covered the entire bank balance, and thus none of the Authority's cash is subject to custodial risk.

D. 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 the definition are reported as non-operating.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of American requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

F. Net Position

Net position represents the difference between assets, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Authority 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 position are available. The Authority has no restricted net position at fiscal year-end 2016.

New Albany East Community Authority
Licking County, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2016
(Continued)

NOTE 3 – COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community development charge up to 9.75 mills on the assessed value of all property within the District. The charge was levied at 9.75 mills for 2016. Charge revenue recognized represents the amount levied as of October 1 of the preceding year.

Charge assessments are levied October 1 on the assessed values as of July 1, the lien date. Assessed values are established by State law at 35% of appraised market value. Market values are determined by the Authority based on the County Auditor's appraisal, lot values, or a calculated cost for occupied homes that have not yet been appraised by the County Auditor.

The 2016 assessed values of all property within the District were \$31,662,745. The 2016 receivable recognized based on these figures was \$308,712.

Receipts in 2016 from the 2015 Charge totaled \$249,702.

NOTE 4 – RISK MANAGEMENT

The Authority is subject to certain types of risk in the performance of its normal functions. The Authority manages these types of risk through commercial insurance. The amount of settlements has not exceeded coverage for any of the past three years. There has not been a significant reduction in coverage since the prior year in any of the major categories of risk.



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

New Albany East Community Authority
Licking County
8000 Walton Parkway #120
New Albany, OH 43054

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 New Albany East Community Authority, Licking County, (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 22, 2018.

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 opinion 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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*.

Authority Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Authority's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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.



Dave Yost
Auditor of State
Columbus, Ohio

October 22, 2018

**NEW ALBANY EAST COMMUNITY AUTHORITY
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness – Financial Statement Presentation

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The Authority's notes to the financial statements did not include a description of the entity, a summary of significant accounting policies, or a cash and cash equivalents note which includes a description of risks that the Authority is subject to. GASB Cod. 2300.106(a-c) indicates these disclosures are essential to the fair presentation in the basic financial statements.

Adjustments have been made to the accompanying financial statements to include all essential footnote disclosures.

Additionally, the Authority did not always accurately post receipts and disbursements to the Authority's accounting system and financial statements. Incorrect postings identified included the following:

- An adjustment was made in the amount of \$4,012 to increase Accounts Payable and increase Legal Fees Expense.
- An adjustment was made in the amount of \$7,273 to record the Community Development Charge at gross and record the related Assessment Collection Fees.

These amounts were adjusted to the Authority's accounting system and financial statements.

**NEW ALBANY EAST COMMUNITY AUTHORITY
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2016-001 (Continued)

Material Weakness – Financial Statement Presentation (Continued)

Additionally, during 2016 the Board of Trustees of the Authority did not review the draft financial report before its submission to the HINKLE system. The draft financial report was not presented to the Board during any of the Board's regular or special meetings.

The Authority should review GASB Cod. 2300.106 and .107 when preparing its financial statements to ensure all applicable footnote disclosures are included. Without accurate and complete notes to the financial statements the Authority is at risk of omitting information important to understanding the financial position of the Authority. Without reviewing the draft financial report the Board cannot provide any assurance over the accuracy of the submission.

Not posting receipts and disbursements accurately to the ledgers could result in the financial statements requiring audit reclassifications; furthermore, inaccurate accounting records could make it difficult for the Board of Trustees to effectively monitor the Authority's activities or identify misstatements or errors in a timely manner.

Officials' Response

The Authority will implement controls including providing financial statements to the board for approval before submission to the state's HINKLE system. The financial statements shall follow state guidelines for disclosures in the notes to the statements.



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NEW ALBANY EAST COMMUNITY AUTHORITY

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 15, 2018**