

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

LINDA GENGLER, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Jerome Village Community Authority, Union County, prepared by Julian & Grube, Inc., for the audit period January 1, 2013 through December 31, 2014. 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. Jerome Village Community Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 20, 2015

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Jerome Village Community Authority, Union County, Ohio, as of and for the years ended December 31, 2014 and December 31, 2013 and the related notes to the financial statements, which collectively comprise the Jerome Village Community Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Jerome Village Community Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Jerome Village Community Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of 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 Jerome Village Community Authority, Union County, Ohio, as of December 31, 2014 and December 31, 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2015, on our consideration of the Jerome Village Community Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jerome Village Community Authority's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 26, 2015

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013
(UNAUDITED)**

The management's discussion and analysis of financial performance of the Jerome Village Community Authority, Union County, Ohio, (the Authority), provides an overall review of the Authority's financial activities for the fiscal years ended December 31, 2014 and 2013. 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 1,500 acres of land located in Jerome Township, Union County, Ohio.
2. Net Position at December 31, 2014 and December 31, 2013 totaled negative \$19.4 million and negative \$3.2 million, respectively.
3. In 2014, the Authority dedicated \$13.7 million in capital assets to the City of Marysville.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority's financial activities and financial position. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position 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 Statement of Net Position. The Statement of Net Position represents the financial position of the Authority. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the information provided on the basic financial statements.

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

These financial statements look at all transactions and ask the question, how did we do financially? The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include all assets, liabilities, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. The accrual basis of accounting takes into account all current year revenues and expenses regardless of when cash is received or paid.

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 that, for the Authority as a whole, the financial position of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

**JEROME VILLAGE COMMUNITY AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013
(UNAUDITED)

The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on pages 11-12 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 2014, 2013 and 2012.

**Table 1
Net Position at Year End**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current assets	\$ 226,747	\$ 405,619	\$ 57,815
Capital assets	24,684,428	23,498,300	20,999,112
Total Assets	<u>\$ 24,911,175</u>	<u>\$ 23,903,919</u>	<u>\$ 21,056,927</u>
Liabilities:			
Current liabilities	\$ 93,310	\$ 42,719	\$ 442,746
Noncurrent liabilities	44,201,799	27,064,866	22,105,119
Total liabilities	<u>44,295,109</u>	<u>27,107,585</u>	<u>22,547,865</u>
Net position:			
Net investment in capital assets	(1,223,989)	(1,008,661)	(875,069)
Unrestricted	<u>(18,159,945)</u>	<u>(2,195,005)</u>	<u>(615,869)</u>
Total net position	<u>\$ (19,383,934)</u>	<u>\$ (3,203,666)</u>	<u>\$ (1,490,938)</u>

The increase in capital assets and total liabilities in 2013 and 2014 is the result of the Authority issuing bonds and using the proceeds to acquire land and construct community improvements. The increase in total liabilities is greater than the increase in capital assets during 2014 primarily because the Authority dedicated \$13.7 million in capital assets to the City of Marysville.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013
(UNAUDITED)

Table 2 reflects the changes in the Authority's net position for years 2014, 2013 and 2012.

**Table 2
Changes in Net Position**

	2014	2013	2012
Operating revenues:			
Assessed valuation charges	\$ 127,645	\$ 28,318	\$ -
Sewer charges	91,869	34,790	-
Total operating revenues	<u>219,514</u>	<u>63,108</u>	<u>-</u>
Operating expenses:			
Total operating expenses	<u>445,615</u>	<u>306,945</u>	<u>510,880</u>
Operating loss	<u>(226,101)</u>	<u>(243,837)</u>	<u>(510,880)</u>
Non-operating revenues (expenses):			
Sewer oversizing cost reimbursements	94,384	315,600	-
Community fees	(100,000)	(100,000)	(445,592)
Interest expense	<u>(2,237,356)</u>	<u>(1,684,491)</u>	<u>(522,226)</u>
Total non-operating expenses	<u>(2,242,972)</u>	<u>(1,468,891)</u>	<u>(967,818)</u>
Income before capital contributions	<u>(2,469,073)</u>	<u>(1,712,728)</u>	<u>(1,478,698)</u>
Capital contributions	(13,711,195)	-	-
Change in net position	<u>(16,180,268)</u>	<u>(1,712,728)</u>	<u>(1,478,698)</u>
Net position, beginning of year	<u>(3,203,666)</u>	<u>(1,490,938)</u>	<u>(12,240)</u>
Net position, end of the year	<u><u>\$ (19,383,934)</u></u>	<u><u>\$ (3,203,666)</u></u>	<u><u>\$ (1,490,938)</u></u>

The increase in assessed valuation charges and sewer charges each year is the result of an increase in the number of chargeable parcels within the Authorities boundaries.

The increase in interest expense each year is the result of the Authority issuing bonds.

Capital contributions reflected in 2014 represent the dedication of public improvements to the City of Marysville.

Budgeting

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

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013
(UNAUDITED)**

Capital Assets

As of December 31, 2013, the Authority had \$23.5 million invested in capital assets, an increase of \$2.5 million in comparison with 2012. This increase represents capital improvements of \$2.5 million net of current year depreciation of \$61,768.

As of December 31, 2014, the Authority had \$24.7 million invested in capital assets, an increase of \$1.2 million in comparison with 2013. This increase represents capital improvements and land acquisitions of \$15.0 million, net of dedications of \$13.7 million and current year depreciation of \$112,264.

Debt Administration

During 2010, the Authority approved the issuance of \$22.0 million in Community Facilities Bonds, Series A, and during 2013, the Authority approved the issuance of an additional \$25.0 million in Community Facilities Bonds, Series B. As of December 31, 2013 and December 31, 2014, the Authority had issued \$23.0 million and \$38.0 million, respectively, in bonds.

Economic Conditions

On August 31, 2010, the Authority approved the issuance of \$22.0 million in Community Facilities Bonds, Series A, for the purpose of providing funds to pay the costs of public infrastructure improvements including water, sewer and storm sewer improvements and road, sidewalk and streetscape improvements.

The Series A bonds were issued as one term bond with a stated maturity date of August 27, 2050. Interest on the bond is accrued monthly. The interest rate for the first advance of Series A bonds was 8.5% per year. For each subsequent advance, the fixed annual rate was determined at the time of each advance equal to (i) the most recently published Bond Buyer 25 Revenue Bond Muni Index rate for 30 year bonds plus (ii) 3.89%. Principal and interest payments are made in accordance with the bond agreement. The Series A bonds have been fully funded and the blended interest rate beginning August 2013 is 8.87%. Current cash flow projections for the Authority estimate the Series A bonds will be fully paid prior to maturity.

On December 20, 2013, the Authority approved the issuance of an additional \$25.0 million in Community Facilities Bonds, Series B, for the purpose of providing funds to pay the costs of public infrastructure improvements including water, sewer and storm sewer improvements, road, sidewalk and streetscape improvements, parks and community facility improvements, the acquisition of real estate and site preparation for such improvements.

The Series B bonds were issued as one term bond with a stated maturity of December 15, 2053. Interest on the bond is accrued monthly. The interest rate for the first advance of Series B bonds was 7.9% per year. For each subsequent advance, the fixed annual rate will be determined at the time of each advance equal to (i) the most recently published Bond Buyer 25 Revenue Bond Muni Index rate for 30 year bonds plus (ii) 2.5%. Principal and interest payments are made in accordance with the bond agreement. The Series B bonds have been funded to the amount of \$16.0 million as of December 31, 2014, and the Authority expects to have the bonds fully funded within three years of the initial issuance. Current cash flow projections for the Authority estimate the Series B bonds will be fully paid prior to maturity.

**JEROME VILLAGE COMMUNITY AUTHORITY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013
(UNAUDITED)**

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

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Authority's Treasurer, 375 North Front Street, Suite 200, Columbus, Ohio 43215.

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**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2014 AND 2013

	2014	2013
Assets:		
Current assets		
Cash and cash equivalents	\$ 11,771	\$ 366,171
Restricted cash with fiscal agent	111,619	28,186
Accounts receivable	103,357	11,262
Total current assets	226,747	405,619
Noncurrent assets		
Nondepreciable capital assets	21,270,473	21,551,729
Depreciable capital assets, net	3,413,955	1,946,571
Total noncurrent assets	24,684,428	23,498,300
Total assets	\$ 24,911,175	\$ 23,903,919
Liabilities:		
Current liabilities		
Accounts payable	\$ 7,753	\$ 4,398
Retainage payable	57,369	18,260
Community fees payable	13,163	6,445
Prepaid community development charges	1,261	10,559
Other accrued expenses	13,764	3,057
Total current liabilities	93,310	42,719
Noncurrent liabilities		
Developer payable	327,830	369,448
Accrued interest payable	5,870,594	3,718,995
Bonds payable	38,003,375	22,976,423
Total noncurrent liabilities	44,201,799	27,064,866
Total liabilities	44,295,109	27,107,585
Net position:		
Net investment in capital assets	(1,223,989)	(1,008,661)
Unrestricted	(18,159,945)	(2,195,005)
Total net position	(19,383,934)	(3,203,666)
Total liabilities and net position	\$ 24,911,175	\$ 23,903,919

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Assessed valuation charges	\$ 127,645	\$ 28,318
Sewer charges	91,869	34,790
Total operating revenues	<u>219,514</u>	<u>63,108</u>
Operating expenses:		
Common area maintenance	103,291	50,766
Water and sewer	188,773	115,149
Administrative	20,413	48,512
Insurance	12,631	-
Professional fees	8,243	25,300
Miscellaneous	-	5,450
Depreciation	112,264	61,768
Total operating expenses	<u>445,615</u>	<u>306,945</u>
Operating loss	(226,101)	(243,837)
Non-operating revenues (expenses):		
Sewer oversizing cost reimbursements	94,384	315,600
Community fees	(100,000)	(100,000)
Interest expense	(2,237,356)	(1,684,491)
Capital dedications	(13,711,195)	-
Total non-operating expenses	<u>(15,954,167)</u>	<u>(1,468,891)</u>
Change in net position	(16,180,268)	(1,712,728)
Net position beginning of year	(3,203,666)	(1,490,938)
Net position end of year	<u>\$ (19,383,934)</u>	<u>\$ (3,203,666)</u>

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

	2014	2013
Cash flows from operating activities:		
Cash received from assessed valuation charges	\$ 123,467	\$ 28,186
Cash received from sewer charges	83,500	37,444
Cash payments for operating expenses	(322,215)	(242,780)
Net cash used in operating activities	(115,248)	(177,150)
Cash flows from noncapital financing activities		
Cash received from developer	-	233,896
Cash payments to developer	(41,618)	-
Cash received from Trustee	233,031	-
Cash received for community fees	21,345	35,709
Cash payments for community fees	(117,354)	(136,100)
Cash received from bond proceeds	103,176	252,689
Net cash from noncapital financing activities	198,580	386,194
Cash flows from capital and related financing activities:		
Payments for capital acquisitions	(14,923,776)	(4,659,901)
Cash received for sewer oversizing cost reimbursements	3,438	315,600
Cash received from bond proceeds	14,923,776	4,472,041
Cash payments to Trustee	(441,170)	(28,186)
Net cash provided by (used) capital and related financing activities	(437,732)	99,554
Increase (decrease) in cash and cash equivalents	(354,400)	308,598
Cash and cash equivalents at beginning of year	366,171	57,573
Cash and cash equivalents at end of year	\$ 11,771	\$ 366,171

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

	2014	2013
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (226,101)	\$ (243,837)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	112,264	61,768
Changes in assets and liabilities:		
Accounts receivable	1,578	(11,020)
Accounts payable	(4,398)	2,323
Prepaid community development charges	(9,298)	10,559
Other accrued expenses	10,707	3,057
Net cash used in operating activities	\$ (115,248)	\$ (177,150)

Schedule of noncash transactions:

At December 31, 2014 and December 31, 2013, the Authority had capital-related payables totaling \$65,122 and \$18,260, respectively, and capitalized interest totaling \$38,949 and \$91,092, respectively.

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013**

NOTE 1 - REPORTING ENTITY

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

By its Resolution, the Board of County Commissioners of Union County determined the 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 Act. The Authority thereby was organized as a body corporate and politic in the State.

By law, the Authority is governed by a seven member board of trustees. At inception, the Board of County Commissioners of Union County appointed four of the trustees and the remaining three trustees were appointed by the Developer. At December 31, 2014, all board positions were filled.

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

The Authority’s management believes these 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 financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Basis of Presentation

The Authority’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. The Authority uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and the Basis of Accounting

The Authority's financial activity is accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Authority are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the 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. Capital Assets and Depreciation

Capital assets, including land, land improvements, buildings, building improvements and infrastructure 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 remaining useful lives of the related capital assets, as applicable. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized cost of the assets constructed.

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

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

E. 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 represents administrative and maintenance expenses funded by the Developer in accordance with the development agreement.

**JEROME VILLAGE COMMUNITY AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are assessed valuation and sewer 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.

H. Use of Estimates

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits.

The carrying amount of the Authority's deposits at December 31, 2013 was \$366,171 and the bank balance was \$403,378. Of this balance, \$250,000 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was covered by collateral held by third party trustees pursuant to Ohio Revised Code Section 135.18, in collateralized pools securing all public funds on deposit with the specific depository institutions.

The carrying amount of the Authority's deposits at December 31, 2014 was \$11,771 and the bank balance was \$17,056. This entire bank balance was covered by the FDIC.

In addition, the Authority had cash on deposit with Bank of New York Mellon (Trustee) in accordance with the Authority's Master Trust Agreement with the Trustee. The amount on deposit with the Trustee at December 31, 2013 and December 31, 2014 was \$28,186 and \$111,619, respectively. These amounts are reported as restricted cash with fiscal agent on the Statement of Net Position.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013**

NOTE 4 – COMMUNITY DEVELOPMENT CHARGES

The Authority can levy community development charges, as defined, for the benefit and use of the Authority to cover all or part of land acquisitions, development, construction, operation and maintenance of land, land development and community facilities, the debt service therefor and any other cost incurred by the Authority. The community development charges applicable for years 2014 and 2013 include assessed valuation and sewer service charges.

The Authority entered into a Service Agreement dated July 23, 2010, and as amended from time to time, with the City of Marysville and Union County whereby the Authority agreed to provide for the connection of certain property to the sanitary sewer system constructed pursuant to that agreement and the collection of certain charges for the use of the sanitary sewer system (“sewer service charges”). Each user of the sanitary sewer system must pay for the privilege of that use. For years 2014 and 2013, sewer service charges were levied in the amounts specified in Section 925.01 of the Codified Ordinances of Marysville, Ohio. Amounts assessed and due are reflected as revenue on the Statement of Revenues, Expenses and Changes in Net Position.

The Authority can levy an annual assessed valuation charge up to 9.5 mills on the assessed value of all chargeable property, as defined, within the boundaries of the Authority. Assessed valuation charge revenue recognized in the years 2014 and 2013 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 Statement of Revenues, Expenses and Changes in Net Position.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

Description	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Non-depreciable assets:					
Land	\$ 259,272	\$ 1,155,815	\$ -	\$ -	\$ 1,415,087
Construction in progress	20,396,924	1,405,141	-	(1,665,423)	20,136,642
Total nondepreciable assets	<u>20,656,196</u>	<u>2,560,956</u>	<u>-</u>	<u>(1,665,423)</u>	<u>21,551,729</u>
Capital assets, being depreciated:					
Land improvements	406,085	-	-	-	406,085
Building improvements	-	-	-	1,665,423	1,665,423
Total depreciable capital assets	<u>406,085</u>	<u>-</u>	<u>-</u>	<u>1,665,423</u>	<u>2,071,508</u>
Total capital assets	<u>21,062,281</u>	<u>2,560,956</u>	<u>-</u>	<u>-</u>	<u>23,623,237</u>
Less accumulated depreciation for:					
Land improvements	(63,169)	(27,072)	-	-	(90,241)
Building improvements	-	(34,696)	-	-	(34,696)
Total accumulated depreciation	<u>(63,169)</u>	<u>(61,768)</u>	<u>-</u>	<u>-</u>	<u>(124,937)</u>
Total depreciable assets, net	<u>342,916</u>	<u>(61,768)</u>	<u>-</u>	<u>1,665,423</u>	<u>1,946,571</u>
Total capital assets, net	<u>\$ 20,999,112</u>	<u>\$ 2,499,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,498,300</u>

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

NOTE 5 – CAPITAL ASSETS (CONTINUED)

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

Description	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Non-depreciable assets:					
Land	\$ 1,415,087	\$ 8,965,919	\$ (58,940)	\$ -	\$ 10,322,066
Construction in progress	20,136,642	6,043,668	(13,652,255)	(1,579,648)	10,948,407
Total nondepreciable assets	<u>21,551,729</u>	<u>15,009,587</u>	<u>(13,711,195)</u>	<u>(1,579,648)</u>	<u>21,270,473</u>
Capital assets, being depreciated:					
Land improvements	406,085	-	-	490,406	896,491
Building improvements	1,665,423	-	-	1,089,242	2,754,665
Total depreciable capital assets	<u>2,071,508</u>	<u>-</u>	<u>-</u>	<u>1,579,648</u>	<u>3,651,156</u>
Total capital assets	<u>23,623,237</u>	<u>15,009,587</u>	<u>(13,711,195)</u>	<u>-</u>	<u>24,921,629</u>
Less accumulated depreciation for:					
Land improvements	(90,241)	(60,593)	-	-	(150,834)
Building improvements	(34,696)	(51,671)	-	-	(86,367)
Total accumulated depreciation	<u>(124,937)</u>	<u>(112,264)</u>	<u>-</u>	<u>-</u>	<u>(237,201)</u>
Total depreciable assets, net	<u>1,946,571</u>	<u>(112,264)</u>	<u>-</u>	<u>1,579,648</u>	<u>3,413,955</u>
Total capital assets, net	<u>\$ 23,498,300</u>	<u>\$ 14,897,323</u>	<u>\$ (13,711,195)</u>	<u>\$ -</u>	<u>\$ 24,684,428</u>

Capitalized Interest

On August 31, 2010, the Authority approved the issuance of \$22.0 million in Community Facilities Bonds, Series A, and on December 20, 2013, the Authority approved the issuance of an additional \$25.0 million in Community Facilities Bonds, Series B. Both of these bonds were issued for the purpose of providing funds to pay the costs of public infrastructure improvements including water, sewer and storm sewer improvements; road, sidewalk and streetscape improvements; parks and community facility improvements and site preparation for such improvements.

In accordance with Governmental Accounting Standards Board Statement No. 62, from the date the debt was issued, the Authority capitalizes the net effect of interest expense and related interest revenue on the portion of the debt issued to fund these projects. Interest capitalized during 2013 and 2014 was \$91,092 and \$38,949, respectively. Interest costs not capitalized are expensed.

Capital Contributions

In 2014, the Authority dedicated capital assets to the City of Marysville, Ohio totaling \$13.7 million.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

NOTE 6 – BONDS PAYABLE

Bonds payable activity for the years ended December 31, 2013 and December 31, 2014 was as follows:

	Beginning Balance	Draws	Payments	Ending Balance	Due Within One Year
Year Ended December 31, 2013:					
Series A, 2010	\$ 18,251,693	\$ 3,748,307	\$ -	\$ 22,000,000	\$ -
Series B, 2013	-	976,423	-	976,423	-
Total	\$ 18,251,693	\$ 4,724,730	\$ -	\$ 22,976,423	\$ -
Year Ended December 31, 2014:					
Series A, 2010	\$ 22,000,000	\$ -	\$ -	\$ 22,000,000	\$ -
Series B, 2013	976,423	15,026,952	-	16,003,375	-
Total	\$ 22,976,423	\$ 15,026,952	\$ -	\$ 38,003,375	\$ -

Community Facilities Bonds – Series A, 2010

On August 31, 2010, the Authority approved the issuance of \$22.0 million in Community Facilities Bonds, Series A, for the purpose of providing funds to pay the costs of public infrastructure improvements including water, sewer and storm sewer improvements; road, sidewalk and streetscape improvements; parks and community facility improvements and site preparation for such improvements. The bonds were sold to a related party of the Developer at par.

The Series A bonds were issued as one term bond with a stated maturity date of August 27, 2050. Interest on the bond is accrued monthly. The interest rate for the first advance of Series A bonds was 8.5% per year. For each subsequent advance, the fixed annual rate was determined at the time of each advance equal to (i) the most recently published Bond Buyer 25 Revenue Bond Muni Index rate for 30 year bonds plus (ii) 3.89%. Principal and interest payments are made in accordance with the bond agreement. The Series A bonds have been fully funded and the blended interest rate beginning August 2013 is 8.87%.

Community Facilities Bonds – Series B, 2013

On December 20, 2013, the Authority approved the issuance of an additional \$25.0 million in Community Facilities Bonds, Series B, for the purpose of providing funds to pay the costs of public infrastructure improvements including water, sewer and storm sewer improvements; road, sidewalk and streetscape improvements; parks and community facility improvements; the acquisition of real estate and site preparation for such improvements. The bonds were sold to a related party of the Developer at par.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

NOTE 6 – BONDS PAYABLE (CONTINUED)

The Series B bonds were issued as one term bond with a stated maturity of December 15, 2053. Interest on the bond is accrued monthly. The interest rate for the first advance of Series B bonds was 7.9% per year. For each subsequent advance, the fixed annual rate will be determined at the time of each advance equal to (i) the most recently published Bond Buyer 25 Revenue Bond Muni Index rate for 30 year bonds plus (ii) 2.5%. Principal and interest payments are made in accordance with the bond agreement.

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

NOTE 7 – RISK MANAGEMENT

The Authority has property, 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 property and crime are written on a deductible basis. Casualty and public officials coverage is written with no deductible.

There has been no change in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 8 - CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

NOTE 9 – CONTRACTUAL COMMITMENTS

The Authority had the following contractual commitments outstanding at December 31, 2014:

Contractor	Contract Amount	Amount Paid	Amount Remaining
George J. Igel & Co., Inc.	\$ 2,567,555	\$ 507,555	\$ 2,060,000
GreenScapes Landscape Co., Inc.	79,440	70,686	8,754
MAC Construction Inc.	2,660,955	1,491,349	1,169,606
Nickolas Savko & Sons, Inc.	1,879,516	1,671,185	208,331
Patterson Pools, LLC	441,447	318,373	123,074
Rocky Fork Company	67,765	20,985	46,780
Total	\$ 7,696,678	\$ 4,080,133	\$ 3,616,545

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013**

NOTE 9 – CONTRACTUAL COMMITMENTS (CONTINUED)

Land Acquisition Agreement

On October 23, 2014, the Authority entered into a land acquisition agreement with the Developer to purchase parcels of real property consisting of approximately 374 acres and any and all improvements located thereon. The purchase price is \$55,469 per acre and is payable from proceeds of the Authority's bonds. During 2014, the Authority purchased approximately 158 acres for \$8.8 million. The remaining balance of approximately 216 acres, totaling \$12.0 million, will be purchased in future years.

NOTE 10 - RELATED PARTIES

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

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

NOTE 11 - ACCUMULATED DEFICIT OF NET POSITION

At December 31, 2014 and 2013, the Authority has an accumulated deficit net position of \$19.4 million and \$3.2 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. The Authority incurred the costs of acquiring the land and constructing community facilities. This deficit will be reduced and eliminated as outstanding debt is paid with, primarily, future community development charges.

NOTE 12 - SUBSEQUENT EVENTS

As of the date of issuance of this report, the Authority has drawn down an additional \$4.4 million of the Series B bonds.

In 2015, the Authority approved the issuance of an additional \$27.0 million in Community Facilities Bonds, Series C, for the purpose of providing funds to pay the costs of public infrastructure improvements including water, sewer and storm sewer improvements; road, sidewalk and streetscape improvements; parks and community facility improvements; the acquisition of real estate and site preparation for such improvements. The bonds will be sold to a related party of the Developer at par.



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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Jerome Village Community Authority, Union County, Ohio, as of and for the years ended December 31, 2014 and December 31, 2013 and the related notes to the financial statements, which collectively comprise the Jerome Village Community Authority's financial statements and have issued our report thereon dated June 26, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Jerome Village Community Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Jerome Village Community Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Jerome Village Community Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Trustees
Jerome Village Community Authority

Compliance and Other Matters

As part of reasonably assuring whether the Jerome Village Community Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Jerome Village Community Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Jerome Village Community Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Julian & Grube, Inc.
June 26, 2015



Dave Yost • Auditor of State

JEROME COMMUNITY DEVELOPMENT AUTHORITY

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 1, 2015**