



Dave Yost • Auditor of State

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN 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	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to the Basic Financial Statements	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings	23

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

New Albany Community Authority
Franklin County
8000 Walton Pkwy #120
New Albany, Ohio 43054

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the New Albany Community Authority, Franklin 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 Community Authority, Franklin 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 September 11, 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

September 11, 2018

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

The discussion and analysis of the New Albany 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 follow:

- Total assets decreased \$4,087,580, or 15.52%, between 2016 and 2015. Total liabilities decreased \$3,370,556 or 9.79%, between 2016 and 2015. Total net position decreased \$801,282 or 11.07%, between 2016 and 2015.
- Total revenues increased \$198,640, or 2.10%, between 2016 and 2015. Total expenditures increased \$8,648,908 or 478.36%, 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 position, statement of revenues, expenses and change in net position, 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 include 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.

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

Summary Statement of Net Position

	<u>2016</u>	<u>2015</u>
Assets:		
Other Assets	\$22,256,489	\$26,344,069
Total Assets	22,256,489	26,344,069
Deferred outflows of resources:	<u>750,868</u>	<u>844,726</u>
Liabilities:		
Current Liabilities	316,316	334,698
Long-Term Debt	<u>30,732,579</u>	<u>34,084,753</u>
Total Liabilities	<u>31,048,895</u>	<u>34,419,451</u>
Deferred inflows of resources	<u>0</u>	<u>9,600</u>
Net Position:		
Unrestricted	<u>(8,041,538)</u>	<u>(7,240,256)</u>
Total Net Position	<u>\$(8,041,538)</u>	<u>\$(7,240,256)</u>

The decrease in total assets between 2016 and 2015 was due to an decrease in cash and equivalents of \$2,807,321 and a decrease in accounts receivable of \$1,280,259, related primarily to repayment of a portion of the advance to the City of New Albany from the Economic Development Fund and a reduction in lease receivables . The decrease in liabilities between 2016 and 2015 was due to principal reductions on outstanding bonds and amortization of bond premium of \$3,352,173 and a decrease in interest payable and accounts payable of \$18,382.

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

	<u>2016</u>	<u>2015</u>
Operating Revenues	\$9,626,493	\$9,455,346
Operating Expenses	<u>50,568</u>	<u>34,625</u>
Operating Income (Loss)	9,575,925	9,420,721
Non-Operating Revenue (Expenses)	<u>(10,377,207)</u>	<u>(1,771,735)</u>
Change in Net Position	\$(801,282)	\$7,648,986

The increase in operating revenues between 2016 and 2015 was due largely to an increase in income taxes of \$337,245 offset by a decrease of \$156,798 in the Community Development Charge. The increase in total expenses between 2016 and 2015 was due a primarily to an increase in donations of assets \$8,727,163 and a decrease in interest expense of \$94,199.

Debt Administration

The Authority finances construction in progress primarily through the issuance of bonds. At December 31, 2016, debt outstanding including unamortized premium was \$30,732,580. See note 13 to the basic financial statements for more detailed information on the Authority's debt obligations.

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

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 Community Authority

Statement of Net Position

December 31, 2016

Assets	
Equity in Pooled Cash and Cash Equivalents	\$86,331
Cash with fiscal and escrow agents:	
Community bonds - refunding reserve fund	1,881,328
Community bonds - service fund	1,700,654
Community bonds - General account	2,654
Revenue fund - Wellness Center	33
Infrastructure bond service fund	8,182,820
Infrastructure refund series D note reserve	502,495
Infrastructure improvement bond reserve D	724,812
Economic development fund	2,906,838
Receivables:	
Community development charge receivable	3,548,876
Income tax receivable	532,106
Infrastructure fund - City of New Albany	2,186,557
Infrastructure payments	985
	<hr/>
<i>Total Assets</i>	<i>22,256,489</i>
	<hr/>
Deferred outflows of resources	
Unamortized deferred charges on debt refunding	750,868
	<hr/>
<i>Total deferred outflows of resources</i>	<i>750,868</i>
	<hr/>
Liabilities	
Accounts payable	20,774
Interest payable - Community bonds (\$36M)	284,850
Interest payable - Infrastructure fund	10,692
<i>Long-Term Liabilities:</i>	
Due within one year	3,282,173
Due in more than one year	27,450,406
	<hr/>
<i>Total Liabilities</i>	<i>31,048,895</i>
	<hr/>
Net Position	
Unrestricted	(8,041,538)
	<hr/>
<i>Total Net Position</i>	<i>(\$8,041,538)</i>
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See accompanying notes to the basic financial statements

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

	Total
Operating Revenues	
Community development charge	\$3,537,074
City of New Albany income tax	6,079,819
Lease interest income	9,600
	9,626,493
<i>Total Operating Revenues</i>	<i>9,626,493</i>
Operating Expenses	
Advertising	86
Bank service charges	1,038
Insurance	3,351
Professional fees	1,500
Bond trustee fees	5,125
Accounting fees	17,141
Legal fees	16,606
Assessment collection fees	5,721
	50,568
<i>Total Operating Expenses</i>	<i>50,568</i>
<i>Operating Income</i>	<i>9,575,925</i>
Non-Operating Revenues (Expenses)	
Interest income - trust accounts	29,171
Interest - community facilities bonds	(981,484)
Interest - wellness center bonds	(9,600)
Interest - infrastructure bonds	(124,901)
Economic development project funding	(9,290,393)
	(10,377,207)
<i>Total Non-Operating Revenues (Expenses)</i>	<i>(10,377,207)</i>
<i>Change in Net Position</i>	<i>(801,282)</i>
<i>Net Position Beginning of Year</i>	<i>(7,240,256)</i>
<i>Net Position End of Year</i>	<i>(\$8,041,538)</i>

See accompanying notes to the basic financial statements

New Albany 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	\$3,699,867
Cash received from lease income	169,600
Cash received from city income tax	6,045,140
Cash payments for administrative expenses	(28,120)
Cash payments for legal fees	(16,606)
Cash payments for trustee fees	(5,125)
Cash advanced to the City of New Albany for projects	<u>982,546</u>

Net Cash Provided by (Used in) Operating Activities 10,847,302

Cash Flows from Capital and Related Financing Activities

Principal retirement on debt service	(3,030,000)
Interest and fiscal charges	(1,363,401)
Economic development contributions	<u>(9,290,393)</u>

Net Cash Provided by (Used in) Capital and Related Financing Activities (13,683,794)

Cash Flows from Investing Activities

Interest received	<u>29,171</u>
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Net Increase (Decrease) in Cash and Cash Equivalents (2,807,321)

Cash and Cash Equivalents Beginning of Year 18,795,286

Cash and Cash Equivalents End of Year \$15,987,965

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

Operating Income (Loss)	\$9,575,925
 (Increase) Decrease in Assets:	
Community development charge receivable	162,793
Income tax receivable	(34,679)
Infrastructure fund - City of New Albany	982,546
Lease Receivable	169,600
 Increase (Decrease) in Liabilities:	
Accounts payable	717
Unearned revenue	(9,600)

Net Cash Provided by (Used in) Operating Activities \$10,847,302

See accompanying notes to the basic financial statements

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

NOTE 1 - DESCRIPTION OF THE ENTITY

The New Albany Community Authority is a “community authority” created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On July 7, 1992, the New Albany Company Limited Partnership (the Developer) filed a petition (the Petition) for the creation of the Authority with the Board of County Commissioners of the County of Franklin, Ohio. The Petition, which may be subject to amendment or other change, allows the Authority to finance up to \$41,450,000 of “costs” of publicly owned and operated community facilities including, but not limited to, the acquisition or construction of a new school, roads, a fire station, and a fire truck. In accordance with the Act, the Petition was accepted by the County Commissioners’ Resolution No. 699-92, adopted July 7, 1992. By its Resolution on August 24, 1992, the County Commissioners determined that the new community district would be conducive to the public health, safety, convenience, and welfare, and that it was intended to result in the development of a new community as described in the Act. The Authority thereby organized as a body corporate and politic in the State. On July 7, 1996, the County Commissioners, by their Resolution amended the Petition to increase the “costs” from \$41,450,000 to \$43,450,000.

The Authority is governed by a seven member Board of Trustees. The Franklin County Board of County Commissioners, a related organization, appoints four of the Trustees. The remaining three Trustees are appointed by the Developer.

The New Albany New Community District is currently comprised of approximately 5,000 acres of land located in Northeast Franklin County, Ohio. In accordance with the Act and the Petition, the Authority can levy a community development charge of up to 9.75 mills 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 Community Authority
Franklin 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. Community Development Charge Receivable

The Community Development Charge is recognized as a receivable in the financial statements. The receivable represents charges that have been assessed as of December 31.

D. Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred inflow of resources is an acquisition of net position by the Authority that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the Authority that is applicable to a future reporting period.

Lease interest income that is applicable to the Wellness Center lease was deferred upon issuance and is amortized over the life of the lease agreement.

E. Unamortized Deferred Loss/Bond Issuance Costs

Bond losses are deferred and amortized over the term of the bonds using the bond outstanding method, which approximates the effective interest method. Unamortized deferred losses on refundings are reported as a deferred outflow of resources on the statement of net position. Bond issuance costs are expensed when they occur.

F. 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, income taxes and lease interest income. 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

H. 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.

NOTE 3 - ACCUMULATED DEFICIT

At December 31, 2016, the Authority had accumulated deficit of \$8,041,538. 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 facilities. The Authority incurs the costs of constructing community facilities. The titles to these assets are then transferred to the community and the related costs are recorded as an expense. This deficit will be reduced and eliminated as outstanding debt is paid. See Note 13 for further discussion of debt repayment.

NOTE 4 – CASH AND CASH EQUIVALENTS

State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

NOTE 4 – CASH AND CASH EQUIVALENTS (Continued)

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Authority by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

The Authority may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State as to which there is no default of principal, interest, or coupons; and,
3. Obligations of the Authority.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity.

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

NOTE 4 – CASH AND CASH EQUIVALENTS (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Authority has no deposit policy for custodial credit risk.

At year end December 31, 2016, the carrying amounts, as well as the bank balance of the Authority’s deposits were \$86,331. The total bank balances were federally insured up to \$250,000.

Investments

The Authority’s investments are categorized to give an indication of the level of risk assumed by the Authority at year end. Category 1 includes investments that are insured or registered for which the securities are held by the Authority or the Authority’s agent in the Authority’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the Authority’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Authority’s name

	Category 2	Carrying Value	Fair Value
U.S. Government Securities	15,901,634	15,901,634	15,901,634
Total	15,901,634	15,901,634	15,901,634

Interest Rate Risk - Interest rate risk is that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Authority manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority limits its investments to U.S. Government Securities. Investments in U.S. Government Securities was rated AAA by Standard and Poor’s.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Authority’s investment policy allows investments in money market accounts, certificates of deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. For the years ended December 31, 2015 and 2014, the Authority has invested 100% of its investments in U.S. Government Securities.

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

NOTE 4 – CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. All of the Authority's investments are either insured and registered in the name of the Authority or at least registered in the name of the Authority.

NOTE 5 – CASH WITH FISCAL AND ESCROW AGENTS

At year end December 31, 2016, the carrying amount of the Authority's cash with fiscal and escrow agents was \$15,901,634. This amount is held in escrow for projects funded by bond issuances. These funds are held in Money Market Accounts invested in U.S. Government Securities.

NOTE 6 – COMMUNITY FACILITIES BOND RESERVE

The refunding of the Community Facilities Bonds (CFB) in March of 2012 required the Authority to create a \$1,877,375 reserve fund for any short fall on the bond payment. The Cash balance of this account at December 31, 2016 totaled \$1,881,328, including the \$1,877,375 for the reserve requirement. The balance of the account is interest earnings to be used for debt service. The reserve requirements amounts to 50% of the largest annual (2022) debt service payment for the new bonds. In addition to the required reserve the Authority has additional cash of \$1,789,639 for a total available of \$3,670,967 as of December 31, 2016. See Note 13 for additional information on the CFB.

NOTE 7 - INFRASTRUCTURE FUND

In 1997, the Village of New Albany created the first of several Economic Opportunity Zones (EOZ) in the Business Campus/Park with other EOZ areas added as development has expanded in New Albany. In addition to the EOZ's the Village and the Authority created a Multi-Purpose Infrastructure Improvement fund to provide funding for certain infrastructure improvements in the Business Campus/Park. In 1997, the Authority issued \$10,000,000 in Multi-Purpose Infrastructure Improvements Bonds for the first phase of projects. In 2000, a second phase of projects created the need for the Authority to refund the bonds and issue an additional \$6,700,000 to bring the total to \$16,700,000 of Infrastructure Bonds outstanding. In 2004, the Authority again refunded the bonds reducing the total to \$16,100,000. In May 2011, the Authority refunded the remaining \$8,800,000 in outstanding bonds by retiring \$800,000 of the bonds with cash, issuing \$5,900,000 in fixed rate bonds payable over ten years and \$2,000,000 in a note that expired on June 1, 2012. In June 2012, the Authority reissued the \$2,000,000 note for an additional 12 months and in June 2013 the Authority issued \$1,750,000 in notes reducing the outstanding balance by \$250,000. On May 30, 2014 the Authority retired the entire \$1,750,000 note. The Authority's sole source of repayment for these notes and bonds is from income taxes collected by New Albany from employees and businesses in the EOZ. The Authority receives 30% and 50%, respectively, from Phase I and Phase II of the gross income tax revenues collected by New Albany within the EOZ. In addition to the refunding in 2004, the Village of New Albany and the Authority, through an Economic Development Agreement, created the Economic Development Fund (EDF) to promote development within the Economic Opportunity Zone. The EDF's sole funding is from the surplus funds in the Infrastructure Bond Service Fund. Each year, New Albany directs the Authority (after meeting certain debt service requirements) to transfer funds to the EDF from the Infrastructure Surplus based on terms defined in the Economic Development Agreement. New Albany also directs the Authority to disburse funds from the EDF for certain New Albany council approved projects.

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

NOTE 7 - INFRASTRUCTURE FUND (Continued)

As of December 31, 2016, the following is a summary of the Projects that have been approved for disbursement from the fund.

<u>Project Description</u>	<u>Authorized Amount</u>	<u>Amounts Disbursed as 12/31/2016</u>	<u>Authorized Disbursements Remaining</u>
Extension of Forest Drive "Canini Trust Project"	2,000,000	(2,000,000)	-
Fiber optic network (2007, 2009, 20 11)	3,150,363	(3,150,363)	-
"Incubator" Project Tech Columbus	1,500,000	(1,500,000)	-
US 62 Project	1,700,000	(1,700,000)	-
Waters Edge Project	300,000	(300,000)	-
Souder Road	1,800,000	(1,800,000)	-
Business Park East Debt Service	6,714,100	(3,860,775)	2,853,325
Business Park Incentives (2010, 2011)	400,900	(400,900)	-
Business Park East - Greywater System	100,000	(100,000)	-
Bob Evans Loan	1,000,000	(1,000,000)	-
2012 Incentives, Zarley ROW, INC@8000	600,000	(600,000)	-
Beech Rd Widening	2,000,000	(2,000,000)	-
Business Campus East Water Tower	1,650,000	(1,650,000)	-
Forrest Drive Connector	930,000	(930,000)	-
Fiber Optic Network 2014	250,000	(250,000)	-
Smith Mill Road Loop Lighting & Street Trees	700,000	(700,000)	-
Smith Mill Road Sanitary Sewer extension	400,000	(400,000)	-
Smith Mill Loop Grey Water System extension	200,000	(200,000)	-
COTA Park & Ride Construction	250,000	(250,000)	-
Blacklick Sanitary Trunk Link	900,000	(900,000)	-
Smith Mill Road Loop Fiber Optic extension	50,000	(50,000)	-
Business Park East Infrastructure Advance **	7,000,000	(6,000,000)	1,000,000
Truck Cul-de-sac, Incentives, Fiber Expansion 2015	1,945,000	-	1,945,000
CIC-Innovate New Albany 2016	50,000	(50,000)	-
Beech Road Landscaping	225,000	(225,000)	-
Blacklick Water Design	500,000	(500,000)	-
A & F Drop Lane on Smith 's Mill Road	750,000	(750,000)	-
Innovation Campus West	950,000	(950,000)	-
Innovation Road Sanitary Extension to Harrison Rd.	200,000	(200,000)	-
Economic Incentives 2016	550,000	(550,000)	-
Harrison to Mink Road Connector	5,500,000	(5,500,000)	-
Totals	44,265,363	(38,467,038)	5,798,325

** \$2,186,557 of this advance remains outstanding at 12/31/16

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

NOTE 8 – 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 3.75 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 \$942,991,267. The 2016 receivable recognized based on these figures was \$3,548,876.

NOTE 9 – CITY OF NEW ALBANY INCOME TAX

The Authority receives 30% and 50%, respectively, from Phase I and Phase II of the gross income tax revenues collected by the City of New Albany for the Economic Opportunity Zone. The Economic Opportunity Zone is approximately 950 acres of land that the New Albany Company is developing into a business campus. The City of New Albany Income Tax is used to make payments on the Multi-Purpose Infrastructure Bonds described in Note 13.

NOTE 10 – CITY OF NEW ALBANY RECEIVABLE

The City of New Albany requested a \$6,000,000 advance from the Economic Development Fund in 2014 for certain projects in the Business Park. The advance was requested for projects that anticipated reimbursement from third parties after completion of the projects. \$3,813,443 has been repaid to the Economic Development Fund as of December 31, 2016.

NOTE 11 – DIRECT FINANCING LEASE

The Authority entered into a lease agreement with Mount Carmel Health Systems in December of 1996. The lease payments are equal to the debt service on the Wellness Center Bonds. The balance of the receivable which represented the future interest and principal payments due on the Wellness Center Bonds was reduced to \$0 in 2016 with the full retirement of the debt on December 1st.

NOTE 12 – UNAMORTIZED DEFERRED CHARGES

The unamortized deferred charges represent the deferred cost for the Series C Community Bonds that were issued in 2012. These costs are to be amortized over the remaining term of the bond issue or through the year 2024.

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

NOTE 13 – DEBT

A schedule of changes in bonds and other long-term obligations of the Authority, 2016 follows:

	<u>Outstanding 12/31/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2016</u>	<u>Amounts Due Within One Year</u>
Community Facilities Refunding Bonds, Series C, 2012, \$35,610,000, 2.5%	27,125,000	-	(2,295,000)	24,830,000	2,365,000
Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series D, \$5,900,000, 1.25-3.81%	3,765,000	-	(575,000)	3,190,000	595,000
Premium on Refunding Bond Issued	106,119	-	(19,211)	86,908	19,211
Premium on Refunding Bond Issued	2,928,634	-	(302,962)	2,625,672	302,962
Wellness Center Revenue Bonds, 1996, \$2,000,000, 4-6%	160,000	-	(160,000)	-	-
Total	<u>34,084,753</u>	<u>-</u>	<u>(3,352,173)</u>	<u>30,732,580</u>	<u>3,282,173</u>

Community Facilities Refunding Bonds, Series C: In December 2001, the Community Facilities Bonds Series "B" (CFB) were issued to refund the \$38,115,000 of Series "A" bonds. In March 2012, the 2001 bonds were called and refunded with Community Facilities Bonds Series "C", \$35,610,000 in new bonds and a premium of \$4,089,988. The final due date for the bonds are December 1, 2024 and the average coupon interest rate on the bonds is 4.51%. The premium is recognized on a straight line basis. In conjunction with the 2012 refunding a reserve account was initially funded at \$1,877,375 from bond proceeds placed in a reserve account (Note 6). The Authority has covenanted that Pledged Receipts received will be deposited as follows: (a) first - to the Rebate Fund until it contains the amount, if any, necessary to discharge any rebate liability to the United States for bonds or notes issued pursuant to the General Bond Resolution, (b) second - up to \$100,000 annually to the General Purpose Fund to the extent necessary to restore the balance of the General Purpose Fund to \$100,000, (c) third - to the Bond Service Account in the Bond Service Fund, until the Bond Service Account contains an amount which will be equal to the Bond Service Charges due in the remainder of the current Fiscal Year on all Bonds outstanding, (d) fourth - to the Series C Reserve Account until it contains the Required Reserve and (e) fifth - any remainder to the Authority for deposit in the General Purpose Fund for the purpose of paying any administrative expenses or for any other lawful purpose.

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

NOTE 13 – DEBT (Continued)

Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series D: In 2000, the Authority issued the Multi-Purpose Infrastructure Improvement Bonds, Series B in the amount of \$16,700,000. The \$16,700,000 series B Infrastructure Bonds were refunded in January, 2004, including a principal payment of \$600,000, leaving a total of \$16,100,000 due. Principal payments totaling \$7,300,000 were made since the bonds were issued in 2004 leaving a balance due to \$8,800,000 as of December 31, 2010. In May 2011, the bonds were again refunded with a combination of \$5,900,000 in ten year fixed rate bonds and a \$2,000,000 13 month note plus \$800,000 in cash. The fixed rate bonds have a net interest cost of 3.45%, are callable after five years and are scheduled to be retired in December 2021. The \$2,000,000 note was issued with a 1.2% interest rate and matured on June 1, 2012. On June 1, 2012, \$2,000,000 in notes were issued at a 1% interest rate to retire the maturing 2011 notes. On June 1, 2013 the \$2,000,000 note was retired and a \$1,750,000 12 month note was issued. On May 30, 2014 the \$1,750,000 note was fully retired. The bonds were issued with a premium of \$192,113. The premium is recognized on a straight line basis. The Authority's sole source of repayment for these bonds is from income taxes on businesses in Phase I and Phase II of the gross income tax revenues collected by the City of New Albany for the Economic Opportunity Zone. The Authority initially had credit and liquidity support for the bonds in an irrevocable standby letter of credit in the amount of \$16,219,979 with Key Bank. On May 20, 2011, the letter of credit was canceled by the Authority.

Wellness Center Revenue Bonds: In 1996, the Authority issued the Wellness Center Revenue Bonds in the amount of \$2,000,000. The proceeds of the bonds were to pay the costs of acquiring and constructing facilities for providing day care and other community health and wellness programs and related services. The issue included \$480,000 serial bonds maturing annually from 1997 through 2003, \$450,000 term bonds maturing in 2008, and \$1,070,000 term bonds maturing in 2016. The Wellness Center Revenue Bonds were fully retired in 2016. The term bonds are subject to prior mandatory sinking fund redemption. The Authority's source of repayment for these bonds is lease rental income from the Mount Carmel Health System, pursuant to a lease agreement. The Authority also has as credit enhancement for the bonds an irrevocable standby letter of credit in the amount of \$2,070,000 with PNC Bank (formerly National City Bank of Columbus).

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

NOTE 13 – DEBT (Continued)

Long-term debt requirements for the Community Facilities Refunding Bonds, Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series D, and Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series E as of December 31, 2016 are as follows:

	Community Facilities Refunding Bonds, Series C		Multi-Purpose Infrastructure Improvement and Refunding Bonds, Series D		Total
	Principal	Interest	Principal	Interest	
2017	2,365,000	1,139,400	595,000	128,300	4,227,700
2018	2,500,000	1,044,800	615,000	104,500	4,264,300
2019	2,615,000	944,800	635,000	86,050	4,280,850
2020	2,730,000	840,200	660,000	60,650	4,290,850
2021	2,825,000	731,000	685,000	34,250	4,275,250
2022-2027	11,795,000	1,287,500	-	-	13,082,500
Total	24,830,000	5,987,700	3,190,000	413,750	34,421,450

NOTE 14 – ECONOMIC DEVELOPMENT PROJECTS

Project Assets are accumulated as constructed and then recorded as contributions when dedicated to the municipality or other public entity. Economic Development contributions are typically disbursed to the City of New Albany for approved projects.

Contributions in 2016 included \$565,393 for debt service related the Business Park East infrastructure and \$8,725,000 related to several other projects including \$5,500,000 for the extension of Innovation Way from Harrison Road to Mink Road. See Note 7 for details of all projects.

NOTE 15 – 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.

NOTE 16 - RELATED PARTY TRANSACTIONS

The New Albany Community Authority was created by the New Albany Company Limited Partnership (the developer). The Authority is contracting with the New Albany Company to provide accounting services. The Authority paid the New Albany Company \$17,141 for accounting services during 2016. Additionally, the Fiscal Officer for the Authority is also the Fiscal Officer for the New Albany Company.

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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*

New Albany Community Authority
Franklin County
8000 Walton Pkwy #120
New Albany, Ohio 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 Community Authority, Franklin 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 September 11, 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

September 11, 2018

**NEW ALBANY COMMUNITY AUTHORITY
FRANKLIN 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

Accuracy of Filing of Annual Report – Material Weakness

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, a cash and cash equivalents note which includes a description of risk that the Authority is subject to, or a note summarizing debt. GASB Cod. 2300.106(a-c, i) 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, 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.

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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Dave Yost • Auditor of State

NEW ALBANY 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
OCTOBER 16, 2018**