

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

**Basic Financial Statements
(Audited)**

**For the Year Ended
December 31, 2019**

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Jerome Village Community Development Authority, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jerome Village Community Development Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 18, 2020

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

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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 year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Jerome Village Community Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 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 Jerome Village Community Authority, Union County, Ohio, as of December 31, 2019, and the changes in its 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, Jerome Village Community Authority has an accumulated deficit net position as of December 31, 2019. This deficit is a result of how the Jerome Village Community Authority is structured and its basic operations. Also, as discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Jerome Village Community Authority. We did not modify our opinion regarding these matters.

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 July 27, 2020, 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.
July 27, 2020

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

The management's discussion and analysis of financial performance of the Jerome Village Community Authority, Union County, Ohio, (the Authority), provides an overview of the Authority's financial activities for the year ended December 31, 2019. 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 related notes to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority encourages the orderly development of a well-planned, diversified community of approximately 1,700 acres of land located in Jerome Township, Union County, Ohio.
2. Net Position at December 31, 2019 and 2018 totaled a deficit of \$51.8 million and \$45.6 million, respectively.
3. On January 18, 2019, the Authority approved the issuance of up to \$30.0 million in Community Facilities Bonds, Series D, 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, along with parks and community facility improvements, and the acquisition of real estate and site preparation for such improvements. The capital activity and draws on the bond Series D commenced during the year.

Overview of the Basic Financial Statements

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the Authority's financial activities and financial position. The Statement of Net Position and Statement of Revenues, Expenses and Change in Net Position provides 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 Change 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 in the basic financial statements.

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

These basic 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 Change 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.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

These two financial statements report the Authority's net position and changes in those assets and liabilities. This change in net position is important because it tells the reader whether the financial position of the Authority, as a whole, has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

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 page 9 of this report.

The basic financial statements also include notes that provide more detailed explanations of the information in the basic financial statements.

Financial Analysis

Table 1 provides a summary of the Authority's net position for years 2019 and 2018.

**Table 1
Net Position at Year End**

	2019	2018
Assets:		
Current assets	\$ 534,027	\$ 292,187
Capital assets	45,443,578	41,968,583
Total Assets	\$ 45,977,605	\$ 42,260,770
Liabilities:		
Current liabilities	\$ 689,740	\$ 222,821
Noncurrent liabilities	97,120,018	87,673,271
Total liabilities	97,809,758	87,896,092
Net position:		
Net investment in capital assets	(2,120,858)	(1,674,548)
Unrestricted	(49,711,295)	(43,960,774)
Total net position	\$ (51,832,153)	\$ (45,635,322)

The net increase in total liabilities is primarily the result of the Authority drawing on bonds for the acquisition of land and construction of community improvements, as well as the accrual of interest related to all outstanding bonds. The net increase in capital assets is the result of these bond-financed land acquisitions and community improvements, net of current year depreciation.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

Table 2 reflects the changes in the Authority's net position for years 2019 and 2018.

**Table 2
Changes in Net Position**

	2019	2018
Operating revenues:		
Assessed valuation charges	\$ 1,084,623	\$ 832,380
Sewer charges	536,278	570,224
Community center, including rent	565,281	278,388
Other	12,000	9,000
Total operating revenues	2,198,182	1,689,992
Operating expenses:		
Total operating expenses	2,511,361	1,701,806
Operating loss	(313,179)	(11,814)
Non-operating revenues (expenses):		
Sewer oversizing cost reimbursements	1,130	118,196
Contributions	293,751	-
Community fees	(100,000)	(100,000)
Interest expense	(4,985,759)	(4,844,335)
Offsite roadway contributions	(893,474)	(10,221)
Capital dedications	(199,300)	(2,754,501)
Total non-operating revenues (expenses)	(5,883,652)	(7,590,861)
Change in net position	(6,196,831)	(7,602,675)
Net position, beginning of year	(45,635,322)	(38,032,647)
Net position, end of the year	\$ (51,832,153)	\$ (45,635,322)

The increase in operating revenues and expenses is primarily a result of an increase in the number of chargeable parcels within the Authority's boundaries.

The decrease in non-operating expenses is primarily the result of a decrease in capital dedications to Union County and the City of Marysville, offset by increases in interest expense and offsite roadway contributions. The increase in interest expense is primarily the result of new bonds issued during the 2019.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Budgeting

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

Capital Assets

As of December 31, 2019, the Authority had \$45.4 million in capital assets, an increase of \$3.5 million in comparison with the prior year end. The increase represents capital improvements of \$4.2 million net of current year depreciation of \$446,311 and current year disposals of \$246,189.

Debt Administration

The Authority has approved the issuance of bonds for the purpose of providing funds to acquire real estate and construct community improvements. As of December 31, 2019, the Authority has issued bonds totaling \$70.2 million, an increase of \$4.8 million in comparison with the prior year end.

Economic Conditions

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Authority. The impact on the Authority's future operating costs, construction-related costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Contacting Authority's Financial Management

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

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019

	2019
Assets:	
Current assets	
Cash	\$ 87,825
Restricted cash with fiscal agent	84,408
Accounts receivable	57,704
Contributions receivable	293,751
Inventory	10,339
Total current assets	534,027
Noncurrent assets	
Nondepreciable capital assets	32,734,251
Depreciable capital assets, net	12,709,327
Total noncurrent assets	45,443,578
Total assets	\$ 45,977,605
Liabilities:	
Current liabilities	
Accounts payable	\$ 337,503
Retainage payable	266,963
Community fees payable	27,709
Deferred community development charges	15,257
Real estate tax payable	6,072
Other accrued expenses	36,236
Total current liabilities	689,740
Noncurrent liabilities	
Developer payable	668,155
Accrued interest payable	26,258,441
Bonds payable	70,193,422
Total noncurrent liabilities	97,120,018
Total liabilities	97,809,758
Net position:	
Net investment in capital assets	(2,120,858)
Unrestricted	(49,711,295)
Total net position	(51,832,153)
Total liabilities and net position	\$ 45,977,605

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019
Operating revenues:	
Assessed valuation charges	\$ 1,084,623
Sewer charges	536,278
Community center revenue	565,281
Other	12,000
Total operating revenues	2,198,182
Operating expenses:	
Common area repair, maintenance and utilities	359,319
Sewer repair, maintenance and utilities	602,097
Community center expenses	902,064
Administrative costs	74,281
Professional fees	127,289
Depreciation	446,311
Total operating expenses	2,511,361
Operating loss	(313,179)
Non-operating revenue (expenses):	
Sewer oversizing cost reimbursements	1,130
Contributions	293,751
Community fees	(100,000)
Interest expense	(4,985,759)
Offsite roadway contributions	(893,474)
Capital dedications	(199,300)
Total non-operating expenses	(5,883,652)
Change in net position	(6,196,831)
Net position beginning of year	(45,635,322)
Net position end of year	\$ (51,832,153)

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019
Cash flows for operating activities:	
Cash received from assessed valuation charges	\$ 1,077,896
Cash received from sewer charges	534,178
Cash received from community center, including rent	577,281
Cash payments for operating expenses	(1,948,997)
Net cash provided by operating activities	240,358
Cash flows for noncapital financing activities	
Cash received for community fees	45,363
Cash payments for community fees	(39,163)
Cash payments to township	(100,000)
Net cash used in noncapital financing activities	(93,800)
Cash flows for capital and related financing activities:	
Cash payments for capital acquisitions	(3,650,817)
Cash received from bond proceeds	4,817,715
Cash received for sewer oversizing cost reimbursements	1,130
Cash payments for offsite roadway contributions	(877,759)
Cash payments for bond interest	(511,873)
Net cash used in capital and related financing activities	(221,604)
Decrease in cash	(75,046)
Cash at beginning of year	247,279
Cash at end of year	\$ 172,233

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

**Reconciliation of operating loss to net cash
provided by operating activities:**

Operating loss	\$ (313,179)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	446,311
Capital dedications	43,006
Changes in assets and liabilities:	
Accounts receivable	(12,796)
Inventory	(10,339)
Accounts payable	59,195
Deferred community development charges	3,969
Real estate tax payable	(155,145)
Other accrued expenses	24,190
Developer payable	155,146
Net cash provided by operating activities	<u><u>\$ 240,358</u></u>

Schedule of noncash transactions:

At year-end, the Authority had capital-related payables totaling \$512,795

During 2019, the Authority donated capital assets totaling \$199,300.

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 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. The Board of County Commissioners of Union County appointed four of the trustees and the remaining three trustees were appointed by the Developer.

The Authority covers approximately 1,700 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 680 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 basic financial statements present all activities for which the Authority is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these basic financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Basis of Presentation

The Authority’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Change 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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 Change in Net Position present 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 basic financial statements. Basis of accounting relates to the timing of the measurements made.

C. Cash

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.

D. Restricted Cash

Certain cash is classified as restricted cash on the basic financial statements since these funds are held by a fiscal agent as designated by the bond agreements.

E. Capital Assets and Depreciation

Capital assets, including land, land improvements, construction in progress, building and improvements and infrastructure assets are reported in the Statement of Net Position. Capital assets acquired or constructed by the Authority are recorded at historical cost. The Authority does not maintain a formal capitalization threshold.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the life of an asset are expensed as incurred. Improvements are capitalized and depreciated using the straight line method over the useful lives of the related capital assets, as applicable. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 improvements	40 years

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Noncurrent Liabilities

Bonds payable are reported net of the applicable bond premium or discount which are deferred and amortized over the life of the bonds, if applicable. Issuance costs are expensed as incurred.

The developer payable represents administrative and maintenance expenses funded by the Developer in accordance with the development agreement.

G. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, less any outstanding related debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net positions are available. The Authority did not have any restricted net position components as of December 31, 2019.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are primarily assessed valuation, sewer and community center charges. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the Authority. All revenues and expenses not meeting this definition are reported as non-operating.

I. Use of Estimates

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

NOTE 3 - DEPOSITS

The carrying amount of the Authority's deposits at December 31, 2019 was \$87,825. The Authority's entire balance was covered by the Federal Depository Insurance Corporation (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, 2019 was \$84,408. 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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 therefore and any other cost incurred by the Authority. The community development charges include assessed valuation, sewer service and community center charges.

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 year 2019 represents the amounts levied for the year.

These charges were levied based on the County Auditor's assessed value as of January 1. 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 Change in Net Position.

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 year 2019, 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 Change in Net Position.

The Authority can levy an annual community center charge on all chargeable parcels, as defined, within the boundaries of the Authority. The amount of the annual charge is equal to the Community Center's budgeted operating expenses for that year, as approved by the Board, divided by the number of Community Center parcels that are chargeable parcels. The maximum annual Community Center charge is \$360 for the first year the Community Center charges are collected by the Authority, but may be increased in each subsequent year by a percent not exceeding the Consumer Price Index for that year. Amounts charged and due are reflected as revenue on the Statement of Revenues, Expenses and Change in Net Position.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

Description	Beginning Balance	Additions	Disposals / Dedications	Transfers	Ending Balance
Non-depreciable assets:					
Land	\$ 19,844,428	\$ 199,300	\$ (203,183)	\$ -	\$ 19,840,545
Construction in progress	-	3,968,195	-	(3,899,794)	68,401
Dedications pending acceptance	10,738,584	-	-	2,086,721	12,825,305
Total nondepreciable assets	<u>30,583,012</u>	<u>4,167,495</u>	<u>(203,183)</u>	<u>(1,813,073)</u>	<u>32,734,251</u>
Capital assets, being depreciated:					
Land improvements	1,886,612	-	(43,006)	181,192	2,024,798
Building and improvements	11,173,506	-	-	1,631,881	12,805,387
Total depreciable capital assets	<u>13,060,118</u>	<u>-</u>	<u>(43,006)</u>	<u>1,813,073</u>	<u>14,830,185</u>
Total capital assets	<u>43,643,130</u>	<u>4,167,495</u>	<u>(246,189)</u>	<u>-</u>	<u>47,564,436</u>
Less accumulated depreciation for:					
Land improvements	(673,000)	(165,738)	-	-	(838,738)
Building and improvements	(1,001,547)	(280,573)	-	-	(1,282,120)
Total accumulated depreciation	<u>(1,674,547)</u>	<u>(446,311)</u>	<u>-</u>	<u>-</u>	<u>(2,120,858)</u>
Total depreciable assets, net	<u>11,385,571</u>	<u>(446,311)</u>	<u>(43,006)</u>	<u>1,813,073</u>	<u>12,709,327</u>
Total capital assets, net	<u>\$ 41,968,583</u>	<u>\$ 3,721,184</u>	<u>\$ (246,189)</u>	<u>\$ -</u>	<u>\$ 45,443,578</u>

NOTE 6 – BONDS PAYABLE

The Authority approved the issuance of Community Facilities Bonds (Series A, Series B, Series C and Series D). The bonds were issued 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, along with parks and community facility improvements, and the acquisition of real estate and site preparation for such improvements. The bonds were sold to a related party of the Developer at par.

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, B, C and D bonds, pro rata, to the extent amounts are sufficient. 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, then the Series C bonds, and then the Series D bonds.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 6 – BONDS PAYABLE (Continued)

Bonds payable activity for the year ended December 31, 2019 was as follows:

	Maturity Date	Interest Rate	Beginning Balance	Draws	Repayments	Ending Balance
Series A, 2010	8/27/2050	8.87%	\$ 22,000,000	\$ -	\$ -	\$ 22,000,000
Series B, 2013	12/15/2053	6.96%	25,000,000	-	-	25,000,000
Series C, 2015	7/15/2055	6.43%	18,375,707	-	-	18,375,707
Series D, 2019	1/18/2059	See Below	-	4,817,715	-	4,817,715
Total			<u>\$ 65,375,707</u>	<u>\$ 4,817,715</u>	<u>\$ -</u>	<u>\$ 70,193,422</u>

Interest on each of the outstanding bonds is accrued monthly. Principal and interest payments are made in accordance with the bond agreements. Current cash flow projections for the Authority estimate the bonds will be fully paid prior to maturity.

On January 18, 2019, the Authority approved the issuance of up to \$30.0 million in Community Facilities, Series D. The interest rate for the first advance of Series D bonds was 8.0% per year. For each subsequent advance, the fixed annual rate is determined at the time of each advance equal to (i) the most recently published Bond Buyer 25 Revenue Bond Muni Index rate for 30 year bonds plus (ii) 3.34%.

There are no amounts due on any of the outstanding bonds within one year.

NOTE 7 – LEASES

The Authority leases restaurant and concession space in the community center to an unrelated party. The lease commenced in 2019 for a 12 month initial term. The term of the agreement will automatically renew for renewal periods of sixty days each thereafter, unless and until terminated by either party. During the term of the agreement, the property manager shall be paid as its management fee an amount equal to three percent of revenues. In addition to the management fee, the property manager also received an administration fee in the amount of \$3,000. Total fees of \$11,029 were recognized during the year ended December 31, 2019. The Authority, as a lessor, has retained substantially all of the risks and benefits of ownership and accounts for the lease as an operating lease. Amounts charged and due are reflected as revenue on the Statement of Revenues, Expenses and Change in Net Position.

The Authority leases a barn located on a portion of the property to the Developer. The lease commenced in 2018 for a 60 month initial term and shall automatically renew for successive one-month periods until terminated by either party on 30 days written notice. The lessee pays minimum annual rent in the amount of \$12,000 payable in advance in twelve equal monthly installments. The Authority, as a lessor, has retained substantially all of the risks and benefits of ownership and accounts for the lease as an operating lease. Amounts charged and due are reflected as revenue on the Statement of Revenues, Expenses and Change in Net Position.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 8 – RISK MANAGEMENT

The Authority has property, casualty, crime, and public official's liability protection for potential loss or damage resulting from their operations or to their property. Protection is provided through coverage on a risk transfer basis by A-rated companies and extends to all owned, leased, rented or newly acquired property, as well as their business operations. 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 is written with no deductible and public officials coverage is written with a \$5,000 deductible.

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

NOTE 9 - CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

NOTE 10 – CONTRACTUAL COMMITMENTS

Land Acquisition Agreement

During 2014, the Authority entered into a land acquisition agreement with the Developer to purchase parcels of real property consisting of 373.61 acres and any and all improvements located thereon. In 2018, the agreement was amended to add 3.593 more acres, for a total of 377.203 acres. The purchase price is \$55,469 per acre and is payable from proceeds of the Authority's bonds. To date, the Authority has purchased approximately 332 acres for \$18.4 million. The remaining balance of approximately 45 acres, totaling \$2.5 million, will be purchased in future years.

NOTE 11 - 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. The Board of County Commissioners of Union County appoints four of the trustees and the Developer appoints the remaining three trustees. The trustees appointed by the Developer are employees of a related party to the Developer.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 12 - ACCUMULATED DEFICIT OF NET POSITION

At December 31, 2019, the Authority has an accumulated deficit net position of \$51.8 million. This deficit is a result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publicly owned and operated community land and facilities, and has incurred such costs. The related deficit will be reduced and eliminated as outstanding debt is paid primarily with future community development charges.

NOTE 13 - SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Authority. The impact on the Authority's future operating costs, construction-related costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The Authority evaluated subsequent events through July 27, 2020, the date the financial statements were available to be issued and determined there were no additional items requiring disclosure.

**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 year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Jerome Village Community Authority's basic financial statements and have issued our report thereon dated July 27, 2020, wherein we noted, as discussed in Note 12 to the financial statements, the Jerome Village Community Authority has an accumulated deficit net position. This deficit is a result of how the Jerome Village Community Authority is structured and its basic operations. Also, as discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods.

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 of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the 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 report is not suitable for any other purpose.



Julian & Grube, Inc.
July 27, 2020

OHIO AUDITOR OF STATE KEITH FABER



JEROME VILLAGE COMMUNITY DEVELOPMENT AUTHORITY

UNION COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/1/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov