



**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY  
DELAWARE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2017-2016**



**Dave Yost • Auditor of State**



**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY  
 DELAWARE COUNTY  
 DECEMBER 31, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Berkshire Landing New Community Authority  
Delaware County  
140 North Sandusky Street  
Delaware, Ohio 43074

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Berkshire Landing New Community Authority, Delaware County, Ohio (the Authority), as of and for the years ended December 31, 2016 and 2017, 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 opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Berkshire Landing New Community Authority, Delaware County, Ohio, as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 31, 2018

## **BERKSHIRE LANDING NEW COMMUNITY AUTHORITY**

### **Management's Discussion and Analysis**

Years Ended December 31, 2017 and 2016

Unaudited

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The management's discussion and analysis of the Berkshire Landing New Community Authority's (Authority) financial performance provides an overall review of the Authority's financial activities for the years ended December 31, 2017 and 2016. While the intent of this discussion and analysis is to look at the Authority's financial performance, readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Authority's fiscal performance.

### **Financial Highlights**

Key highlights for 2017:

- The Authority experienced its first full year of collecting community development charges in 2017 as the Tanger Outlets commenced business in June 2016.
- The Authority's total net position decreased \$34,727 in 2017.

### **Overview of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority's financial activities and financial position. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the Authority, including all short-term and long-term financial resources and obligations.

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Position. The Statement of Net Position represents the financial position of the Authority. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the information provided on the basic financial statements.

These financial statements look at all financial transactions and ask the question, "How did we do financially?" These statements provide answers to that question. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position include all assets, liabilities, revenues and expenses of the Authority using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Authority's net position and the changes in net position. The change in net position is important because it tells the reader whether the financial position of the Authority has improved or diminished. However, in evaluating this position, non-financial information such as occupancy will also need to be evaluated. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided.

## BERKSHIRE LANDING NEW COMMUNITY AUTHORITY

### Management's Discussion and Analysis

Years Ended December 31, 2017 and 2016

Unaudited

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#### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Authority assets exceeded liabilities and deferred inflows by \$82,926 and \$48,199 as of December 31, 2017 and 2016 . While the Authority was formed in February 2015, no financial activity occurred until 2016 when the Tanger Outlets opened for business.

The following table provides a summary of the Authority's net position for the years ended December 31, 2017 and 2016:

**Table 1**  
**Net Position**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current and other assets	\$ 2,793,377	\$ 1,180,752
<i>Total Assets</i>	<u>2,793,377</u>	<u>1,180,752</u>
<b>Liabilities</b>		
Current liabilities	<u>1,342,716</u>	<u>655,691</u>
<i>Total Liabilities</i>	<u>1,342,716</u>	<u>655,691</u>
<b>Deferred Inflows of Resources</b>	<u>1,367,735</u>	<u>476,862</u>
<b>Net Position</b>		
Unrestricted	<u>82,926</u>	<u>48,199</u>
<i>Total Net Postion</i>	<u>\$ 82,926</u>	<u>\$ 48,199</u>

In 2016, Tanger Outlets opened for business so the Authority began collecting community development charges which will be used to pay operating costs and debt service.

As discussed in Note 7 to the financial statements, the Authority is party to a Cooperative Agreement with Delaware County Finance Authority, Delaware County and Berkshire Township. The Finance Authority has issued revenue bonds to pay for construction of certain improvements. The sources for repayment of bonds and related interest are TIF Payments which have been assigned by Berkshire Township to the Authority and the Authority's own facility charge revenues collected. In 2017, current liabilities increased primarily due to recording the Authority's obligation for the revenues pledged to make debt service payments.

Cash increased by \$746,011 because the Authority is holding both 2016 and 2017 facility charge collections as of year-end and operating expenses have been significantly less than the collected assessed valuation charges.



## BERKSHIRE LANDING NEW COMMUNITY AUTHORITY

### Management's Discussion and Analysis

Years Ended December 31, 2017 and 2016

Unaudited

The following table provides a summary of the changes in the Authority's net position for the years ended December 31, 2017 and 2016:

**Table 2**  
**Changes in Net Position**

	2017	2016
<b>Operating revenues:</b>		
Assessed valuation charges	\$ 271,023	\$ 271,023
Facility charges	<u>620,885</u>	<u>432,867</u>
<i>Total operating revenues</i>	<u>891,908</u>	<u>703,890</u>
<b>Operating expenses:</b>		
Professional services	16,039	19,033
School compensation	70,000	30,000
Other operating expenses	<u>6,775</u>	<u>30,309</u>
<i>Total operating expenses</i>	<u>92,814</u>	<u>79,342</u>
<i>Operating income</i>	<u>799,094</u>	<u>624,548</u>
<b>Nonoperating revenues (expenses)</b>		
Assessed valuation charges	(143,482)	(143,482)
Pledged revenue	476,862	-
Pass-through distributions to trustee	(476,862)	-
Pledged revenue to trustee	<u>(620,885)</u>	<u>(432,867)</u>
<i>Total nonoperating revenues (expenses)</i>	<u>(764,367)</u>	<u>(576,349)</u>
<i>Change in net position</i>	34,727	48,199
<i>Net position, beginning of year</i>	<u>48,199</u>	-
<i>Net position, end of year</i>	<u>\$ 82,926</u>	<u>\$ 48,199</u>

As noted above, the Authority began collecting its community development charges in the form of Assessed Valuation Charges and Facility Charges in 2016. The assessed valuation charges assessed by the Authority were the same in both 2016 and 2017. Facility charges increased significantly in 2017 as the Tanger Outlets were in operation for a full year as opposed to seven months in 2016.

In accordance with the Cooperative Agreement discussed above, the Authority recorded the assigned TIF payments as both a nonoperating revenue and a corresponding expense. The Authority also recorded a nonoperating expense for its pledge of facility charges revenue recognized in 2016 and 2017 for debt service.

### Capital Assets and Debt Administration

As of December 31, 2017, the Authority owns no capital assets and has no outstanding debt issued in its name.

## **BERKSHIRE LANDING NEW COMMUNITY AUTHORITY**

### **Management's Discussion and Analysis**

Years Ended December 31, 2017 and 2016

Unaudited

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#### **Economic Factors and Future Trends**

As noted above, Tanger Outlets is open for business as of December 31, 2016. The Authority is collecting community development charges as expected and monitoring its ability to pay future pledged debt service as well as ongoing operational costs.

#### **Requests for Information**

This financial report is designed to provide our citizens, customers, taxpayers, creditors, investors and elected officials with an overview of the Authority's finances and to show accountability for the money it receives. If you have any questions about this report or need additional information, contact the Authority's Treasurer, 101 North Sandusky Street, Delaware, Ohio 43015.

**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2017 AND 2016**

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	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,346,073	600,062
Pledged revenue receivable	1,367,735	476,862
Facility charges receivable	<u>79,569</u>	<u>103,828</u>
Total current assets	<u>2,793,377</u>	<u>1,180,752</u>
Total assets	<u>2,793,377</u>	<u>1,180,752</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	2,000	16,070
Pledged revenue payable to trustee	1,053,752	432,867
Due to other governments	286,964	143,482
Due to developer	<u>-</u>	<u>63,272</u>
Total current liabilities	<u>1,342,716</u>	<u>655,691</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pledged revenue	<u>1,367,735</u>	<u>476,862</u>
<b>NET POSITION</b>		
Unrestricted	<u>82,926</u>	<u>48,199</u>
Total net position	<u>\$ 82,926</u>	<u>48,199</u>

See notes to @ 2017 financial statements.

**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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	<u>2017</u>	<u>2016</u>
<b>Operating revenues:</b>		
Assessed valuation charges	\$ 271,023	271,023
Facility charges	<u>620,885</u>	<u>432,867</u>
Total operating revenues	<u>891,908</u>	<u>703,890</u>
<b>Operating expenses:</b>		
Professional services	16,039	19,033
Utilities	-	2,210
Bank charges	6,235	2,237
Maintenance	-	25,262
Insurance	350	600
Other	190	-
School district compensation	<u>70,000</u>	<u>30,000</u>
Total operating expenses	<u>92,814</u>	<u>79,342</u>
Operating income	799,094	624,548
<b>Non-operating revenues (expenses):</b>		
Pledged revenue	476,862	-
Pass-through distributions to trustee	(476,862)	-
Assessed valuation charge	(143,482)	(143,482)
Pledged revenue to trustee	<u>(620,885)</u>	<u>(432,867)</u>
Total non-operating revenues (expenses)	<u>(764,367)</u>	<u>(576,349)</u>
Change in net position	34,727	48,199
Net position - beginning of year	<u>48,199</u>	<u>-</u>
Net position - end of year	<u>\$ 82,926</u>	<u>48,199</u>

See notes to @ 2017 financial statements.

**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Cash received from tenants and land owners	\$ 916,167	600,062
Cash paid for goods and services	<u>(170,156)</u>	<u>-</u>
Net cash provided by operating activities	<u>746,011</u>	<u>600,062</u>
Net change in cash	746,011	600,062
Cash at beginning of year	<u>600,062</u>	<u>-</u>
Cash at end of year	\$ <u><u>1,346,073</u></u>	<u><u>600,062</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 799,094	624,548
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in Assets and Liabilities:		
Facility charges receivable	24,259	(103,828)
Accounts payable	(14,070)	16,070
Due to developer	<u>(63,272)</u>	<u>63,272</u>
Net cash provided by operating activities	\$ <u>746,011</u>	<u>600,062</u>

Non-cash activity from capital and related financing activities:

In 2017, the Authority received \$476,862 in pledged revenue from Berkshire Township.

See notes to financial statements.

## BERKSHIRE LANDING NEW COMMUNITY AUTHORITY

### Notes to the Basic Financial Statements Years Ended December 31, 2017 and 2016

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#### 1. REPORTING ENTITY

The Berkshire Landing New Community Authority, Delaware County, Ohio (the "Authority") is a community authority created pursuant to Chapter 349 of the Ohio Revised Code (ORC). Berkshire Crossing Development, LLC (the Developer) filed a petition (the Petition) for creation of the Authority with the Board of County Commissioners of Delaware County, Ohio, (Commissioners) and the Petition was accepted by Resolution No. 15-147 of the Commissioners on February 5, 2015. 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 Community Development Charges.

By its Resolution, the Commissioners 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 ORC. The Authority thereby was organized as a body corporate and politic in the State. While the Authority was formed in 2015, no financial activity occurred until 2016.

By law, the Authority is governed by a seven member board of trustees. At inception, the Commissioners appointed four of the trustees and the remaining three trustees were appointed by the Developer.

The Authority includes approximately 60 acres of land located in Berkshire Township, Delaware, Ohio with a development of an approximately 350,000 square foot outlet center known as Tanger Outlets. The Tanger Outlets' grand opening was in June 2016.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Measurement Focus, Basis of Accounting and Basis of Presentation** – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Operating revenues are those revenues that are generated from the primary activity of the Authority and consist of both assessed valuation charges and facility charges. Operating expenses consist of administrative expenses and school district compensation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**Cash and Cash Equivalents** – The Authority considers all highly liquid investments with an original maturity of three months or less at the time they are purchased to be cash and cash equivalents.

**Due to Developer** – The amounts reported as Due to Developer represent administrative and maintenance costs funded by the Developer in accordance with the master agreement to be reimbursed by the Authority.

**Deferred Inflows of Resources** – In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include tax increment financing (TIF) receipts. Receivables for TIF receipts represent amounts that are measurable as of year-end, but are intended to finance the subsequent year activities.

## BERKSHIRE LANDING NEW COMMUNITY AUTHORITY

### Notes to the Basic Financial Statements Years Ended December 31, 2017 and 2016

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**Net Position** – Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Use of Estimates** – The preparation of the 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 3. DEPOSITS

**Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a custodial risk policy beyond the requirements of State statute. As of December 31, 2017 and 2016, the bank balance of the Authority's deposits was \$1,346,073 and \$329,030, respectively. This balance was covered by the Federal Depository Insurance Corporation (FDIC) or pooled collateral as discussed below. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured, unless the financial institution participates in the Ohio Treasurer of State's Ohio Collateral Pool System, which reduces the market value to one hundred two percent of the deposits being secured.

The Authority also had a deposit in transit of \$271,023 at December 31, 2016.

### 4. COMMUNITY DEVELOPMENT CHARGES

The Authority can levy community development charges, as defined, for the benefit and use of the Authority to cover all or part of land acquisitions, development, construction, operation and maintenance of land, land development and community facilities, the debt service therefor and any other cost incurred by the Authority. The Authority levies both an Assessed Valuation Charge and Facilities Charge.

#### **Assessed Valuation Charge**

The Assessed Valuation Charge is an annual charge on each chargeable parcel of land within the Authority based on the Assessed Valuation of each parcel which may be expressed as a number of mills. Consistent with the Petition, the Authority levied an Assessed Valuation Charge of 4.5 mills which is intended to cover costs of acquisition, development and maintenance of land as well as debt service and operations. For 2017 and 2016 and , the Authority also levied a supplemental Assessed Valuation Charge of 4 mills on the total Assessed Valuation. Assessed Valuation Charge revenue of \$271,023 recognized in both 2017 and 2016 represents the total monies levied for each year.

The Authority passed a resolution to pay amounts collected from the Assessed Valuation Charge in equal amounts to the City of Delaware, Berkshire Township and the B.S.T & G. Fire District. These distributions have been recorded as assessed valuation expenses in the amount of \$143,482 in both 2017 and 2016.

## **BERKSHIRE LANDING NEW COMMUNITY AUTHORITY**

### **Notes to the Basic Financial Statements Years Ended December 31, 2017 and 2016**

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#### ***Facility Charge***

The Authority has levied a Facility Charge upon all retail sales conducted within the Authority of one half one percent (0.5%) of the price paid by each consumer in connection with such retail sales. The Facility Charge is collected by tenants from consumers and remitted on a monthly basis. Facility charges collected in 2017 and 2016 were \$620,885 and \$432,867, respectively.

Pursuant to the Cooperative Agreement and the Declaration of Covenants, Restrictions and Agreements for Berkshire Landing New Community Authority (Columbus Outlets Property) in the County of Delaware Ohio, recorded June 29, 2015, the Authority agreed to pledge 100% of facilities charges to the trustees for the purpose of paying on the Community Facilities Revenue Bonds, Series 2017. These monies on the Statement of Net Position are presented as Pledged revenue payable to trustee.

#### **5. RELATED PARTY TRANSACTIONS**

Under an agreement with the Authority, the Developer was responsible for overseeing the construction and development of the public infrastructure projects. In addition, the Developer will fulfill certain administrative and operational functions for the Authority on an ongoing basis. The Developer has paid operating costs on behalf of the Authority for which it is eligible for reimbursement. Thus, the Authority has reported amounts due to the Developer for operating costs incurred on its behalf by the Developer.

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

#### **6. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts and liability, damage to and theft of or destruction of assets; errors and omissions; and natural disasters. The Authority maintains insurance coverage with private carriers for property and general liability insurance. Settled claims did not exceed coverage for the years ended December 31, 2017 and 2016 and there was no significant change in coverage from the prior year.

#### **7. PLEDGED REVENUE, COOPERATIVE AGREEMENT AND REVENUE BONDS**

In December 2017, the Delaware County Finance Authority (Finance Authority) issued Community Facilities Revenue Bonds pursuant to a Trust Indenture dated as of December 1, 2017 between the Finance Authority and U.S. Bank National Association, as Trustee (Trustee). Principal and interest on the Series 2017 Bonds will be payable solely by the Finance Authority from the revenues received pursuant to a Cooperative Agreement (Agreement) among the Finance Authority, the Authority, Delaware County, Berkshire Township, and the Developer.

The Revenue Bonds of \$9,980,000 have a final maturity of December 1, 2026 and bear interest at rates ranging from 4% to 5%. The bonds were issued to pay costs of certain public improvements constructed by the Developer in accordance with the requirements of the Development Agreement dated April 6, 2015 by and among the County, the Developer, the Authority, and the Township, with the approval of the Ohio Department of Transportation.

The Bonds are payable from revenues consisting primarily of financing payments as defined in the Agreement. Pursuant to the Agreement, the Authority is obligated to make financing payments, solely from the TIF Payments received by the Authority or County Treasurer on behalf of the Authority and the Facilities Charges received by the Authority. The Township has assigned TIF Payments to the Authority and directed those to be paid directly to the Trustee on behalf of the Authority. The Authority has recorded the TIF receipts assigned by the Township in 2017 as



## BERKSHIRE LANDING NEW COMMUNITY AUTHORITY

### Notes to the Basic Financial Statements Years Ended December 31, 2017 and 2016

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nonoperating revenue and corresponding pass-through distribution to the Trustee as those receipts were sent directly to the Trustee. The Authority has also recorded an expense and liability due to the Trustee for facility charges recognized as revenue and pledged in accordance with GASB Statement No. 48, *Sales and Pledges of Receivable and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

Principal and interest payments to retire the Bonds as of December 31, 2017 are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	920,000	437,608	1,357,608
2019		825,000	426,550	1,251,550
2020		880,000	393,550	1,273,550
2021		940,000	358,350	1,298,350
2022		1,000,000	320,750	1,320,750
2023-2026		<u>5,415,000</u>	<u>746,500</u>	<u>6,161,500</u>
Total	\$	<u>9,980,000</u>	<u>2,683,308</u>	<u>12,663,308</u>

#### 8. TAX INCREMENT FINANCING AGREEMENT

On December 1, 2017, the Authority along with the Berkshire Township, Delaware County, Delaware County Finance Authority, and Columbus Outlets, LLC entered into a cooperative agreement. Under the Development Agreement, the Developer agreed to incur certain upfront costs of the initial construction and completion of the Project on behalf of the County, the New Community Authority and the Township, provided that upon the completion such costs of the Project (in excess of the County Contribution, as defined herein) would be reimbursed to the Developer from TIF Payments (defined below) contributed by the Township and facility charges levied by the Authority.

In order to provide funding for the Project, the County contributed \$8 million to provide a portion of the cost of the Project, the Township agreed to provide an exemption from 75% of real property taxes of the improvements (as defined in Section 5709.73 of the Ohio Revised Code) associated with the Development, and to require the owner of the Development to make payments in lieu of taxes ("TIF Payments") in an amount equal to the real property taxes so exempted, and to make such TIF Payments available to pay costs of the Project and the New Community Authority agreed to levy a facility charge, in accordance with Chapter 349 of the Ohio Revised Code equal to 1/2 of 1% of all sales at retail occurring at the Development and contribute such amounts towards the costs of the Project.

## **BERKSHIRE LANDING NEW COMMUNITY AUTHORITY**

### **Management's Discussion and Analysis**

Year Ended December 31, 2016

Unaudited

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The management's discussion and analysis of the Berkshire Landing New Community Authority's (Authority) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2016. While the intent of this discussion and analysis is to look at the Authority's financial performance, readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Authority's fiscal performance.

#### **Financial Highlights**

Key highlights for 2016:

- ❑ The Authority began collecting community development charges as the Tanger Outlets commenced business in June 2016.
- ❑ The Authority's total net position increased \$48,199 in 2016.

#### **Overview of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority's financial activities and financial position. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Position. The Statement of Net Position represents the financial position of the Authority. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the information provided on the basic financial statements.

These financial statements look at all financial transactions and ask the question, "How did we do financially?" These statements provide answers to that question. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position include all assets, liabilities, revenues and expenses of the Authority using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Authority's net position and the changes in net position. The change in net position is important because it tells the reader whether the financial position of the Authority has improved or diminished. However, in evaluating this position, non-financial information such as the condition of capital assets will also need to be evaluated. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided.

**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY**

**Management's Discussion and Analysis**

Year Ended December 31, 2016

Unaudited

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**Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Authority assets exceeded liabilities and deferred inflows by \$48,199 as of December 31, 2016. While the Authority was formed in February 2015, no financial activity occurred until 2016 when the Tanger Outlets opened for business.

The following table provides a summary of the Authority's net position for the year ended December 31, 2016.

**Table 1**  
**Net Position**

	<u>2016</u>
<b>Assets</b>	
Current and other assets	\$ 1,180,752
<i>Total Assets</i>	<u>1,180,752</u>
<b>Liabilities</b>	
Current liabilities	<u>655,691</u>
<i>Total Liabilities</i>	<u>655,691</u>
<b>Deferred Inflows of Resources</b>	<u>476,862</u>
<b>Net Position</b>	
Unrestricted	<u>48,199</u>
<i>Total Net Postion</i>	<u>\$ 48,199</u>

In 2016, Tanger Outlets opened for business so the Authority began collecting community development charges which will be used to pay operating costs and debt service which is anticipated to be issued in the future.

## BERKSHIRE LANDING NEW COMMUNITY AUTHORITY

### Management's Discussion and Analysis

Year Ended December 31, 2016

Unaudited

The following table provides a summary of the changes in the Authority's net position for the year ended December 31, 2016.

**Table 2**  
**Changes in Net Position**

	<u>2016</u>
<b>Operating revenues:</b>	
Assessed valuation charges	\$ 271,023
Facility charges	<u>432,867</u>
<i>Total operating revenues</i>	<u>703,890</u>
<b>Operating expenses:</b>	
Professional services	19,033
Maintenance	25,262
Other operating expenses	<u>35,047</u>
<i>Total operating expenses</i>	<u>79,342</u>
<i>Operating income</i>	<u>624,548</u>
<b>Nonoperating expenses</b>	
Assessed valuation	(143,482)
Pledged revenue to trustees	<u>(432,867)</u>
<i>Total nonoperating expenses</i>	<u>(576,349)</u>
<i>Change in net position</i>	48,199
<i>Net position, beginning of year</i>	-
<i>Net position, end of year</i>	<u>\$ 48,199</u>

As noted above, the Authority began collecting its community development charges in the form of Assessed Valuation Charges and Facility Charges in 2016. In 2015, the Authority had no financial activity and its activities were primarily related to working with the Developer on the construction of the Tanger Outlet facility.

### Capital Assets and Debt Administration

As of December 31, 2016, the Authority owns no capital assets and has no outstanding debt.

### Economic Factors and Future Trends

As noted above, Tanger Outlets is open for business as of December 31, 2016. The Authority is collecting community development charges as expected and monitoring its ability to pay future debt service as well as ongoing operational costs.

### Requests for Information

This financial report is designed to provide our citizens, customers, taxpayers, creditors, investors and elected officials with an overview of the Authority's finances and to show accountability for the money it receives. If you have any questions about this report or need additional information, contact the Authority's Treasurer, 101 North Sandusky Street, Delaware, Ohio 43015.

**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

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**ASSETS**

Current assets:

Cash	\$	600,062
Facility charges receivable		103,828
Pledged revenue receivable		<u>476,862</u>
Total current assets		<u>1,180,752</u>

Total assets		<u>1,180,752</u>
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**LIABILITIES**

Current liabilities:

Accounts payable		16,070
Due to other governments		143,482
Pledged revenue payable to trustee		432,867
Due to developer		<u>63,272</u>
Total current liabilities		<u>655,691</u>

**DEFERRED INFLOWS OF RESOURCES**

Pledged revenue		<u>476,862</u>
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**NET POSITION**

Unrestricted		<u>48,199</u>
Total net position	\$	<u>48,199</u>

See notes to the basic financial statements.

**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2016**

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**Operating revenues:**

Assessed valuation charges	\$ 271,023
Facility charges	<u>432,867</u>
Total operating revenues	<u>703,890</u>

**Operating expenses:**

Professional services	19,033
Utilities	2,210
Bank charges	2,237
Maintenance	25,262
Insurance	600
School district compensation	<u>30,000</u>
Total operating expenses	<u>79,342</u>

Operating income (loss) 624,548

**Non-operating expenses:**

Assessed valuation	(143,482)
Pledged revenue to trustee	<u>(432,867)</u>
Total non-operating expenses	<u>(576,349)</u>

Change in net position 48,199

Net position - beginning of year -

Net position - end of year \$ 48,199

See notes to the basic financial statements.

**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2016**

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<b>Cash flows from operating activities:</b>	
Cash received from tenants and land owners	\$ 600,062
Cash paid for goods and services	<u>-</u>
Net cash provided by operating activities	<u>600,062</u>
Net change in cash	600,062
Cash at beginning of year	<u>-</u>
Cash at end of year	<u>\$ 600,062</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 624,548
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in Assets and Liabilities:	
Facility charges receivable	(103,828)
Accounts payable	16,070
Due to developer	<u>63,272</u>
Net cash provided by operating activities	<u>\$ 600,062</u>

See notes to the basic financial statements.

## BERKSHIRE LANDING NEW COMMUNITY AUTHORITY

### Notes to the Basic Financial Statements Year Ended December 31, 2016

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#### 1. REPORTING ENTITY

The Berkshire Landing New Community Authority, Delaware County, Ohio (the "Authority") is a community authority created pursuant to Chapter 349 of the Ohio Revised Code (ORC). Berkshire Crossing Development, LLC (the Developer) filed a petition (the Petition) for creation of the Authority with the Board of County Commissioners of Delaware County, Ohio, (Commissioners) and the Petition was accepted by Resolution No. 15-147 of the Commissioners on February 5, 2015. 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 Community Development Charges.

By its Resolution, the Commissioners 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 ORC. The Authority thereby was organized as a body corporate and politic in the State. While the Authority was formed in 2015, no financial activity occurred until 2016.

By law, the Authority is governed by a seven member board of trustees. At inception, the Commissioners appointed four of the trustees and the remaining three trustees were appointed by the Developer.

The Authority includes approximately 60 acres of land located in Berkshire Township, Delaware, Ohio with a development of an approximately 350,000 square foot outlet center known as Tanger Outlets. The Tanger Outlets' grand opening was in June 2016.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Measurement Focus, Basis of Accounting and Basis of Presentation** – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Operating revenues are those revenues that are generated from the primary activity of the Authority and consist of both assessed valuation charges and facility charges. Operating expenses consist of administrative expenses and school district compensation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**Cash and Cash Equivalents** – The Authority considers all highly liquid investments with an original maturity of three months or less at the time they are purchased to be cash and cash equivalents.

**Due to Developer** – The amounts reported as Due to Developer represent administrative and maintenance costs funded by the Developer in accordance with the master agreement to be reimbursed by the Authority.

**Deferred Inflows of Resources** – In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include tax increment financing (TIF) receipts. Receivables for TIF receipts represent amounts that are measurable as of year-end, but are intended to finance the subsequent year activities.



## BERKSHIRE LANDING NEW COMMUNITY AUTHORITY

### Notes to the Basic Financial Statements Year Ended December 31, 2016

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**Net Position** – Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Use of Estimates** – The preparation of the 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 3. DEPOSITS

**Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a custodial risk policy beyond the requirements of state statute. As of December 31, 2016, the bank balance of the Authority's deposits was \$329,030. This balance was covered by the Federal Depository Insurance Corporation (FDIC). The Authority also had a deposit in transit of \$271,023 at December 31, 2016.

### 4. COMMUNITY DEVELOPMENT CHARGES

The Authority can levy community development charges, as defined, for the benefit and use of the Authority to cover all or part of land acquisitions, development, construction, operation and maintenance of land, land development and community facilities, the debt service therefor and any other cost incurred by the Authority. The Authority levies both an Assessed Valuation Charge and Facilities Charge.

#### **Assessed Valuation Charge**

The Assessed Valuation Charge is an annual charge on each chargeable parcel of land within the Authority based on the Assessed Valuation of each parcel which may be expressed as a number of mills. Consistent with the Petition, the Authority levied an Assessed Valuation Charge of 4.5 mills which is intended to cover costs of acquisition, development and maintenance of land as well as debt service and operations. For 2016, the Authority also levied a supplemental Assessed Valuation Charge of 4 mills on the total Assessed Valuation. Assessed Valuation Charge revenue of \$271,023 recognized in 2016 represents the total monies levied.

The Authority passed a resolution to pay amounts collected from the Assessed Valuation Charge in equal amounts to the City of Delaware, Berkshire Township and the B.S.T & G. Fire District. These distributions have been recorded as assessed valuation expenses in the amount of \$143,482.

#### **Facility Charge**

The Authority has levied a Facility Charge upon all retail sales conducted within the Authority of one half one percent (0.5%) of the price paid by each consumer in connection with such retail sales. The Facility Charge is collected by tenants from consumers and remitted on a monthly basis. Facility charges collected were \$432,867.

## **BERKSHIRE LANDING NEW COMMUNITY AUTHORITY**

### **Notes to the Basic Financial Statements Year Ended December 31, 2016**

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Pursuant to the Cooperative Agreement and the Declaration of Covenants, Restrictions and Agreements for Berkshire Landing New Community Authority (Columbus Outlets Property) in the County of Delaware Ohio, recorded June 29, 2015, the Authority agreed to pledge 100% of facilities charges to the trustees for the purpose of paying on the Community Facilities Revenue Bonds, Series 2017. These monies on the Statement of Net Position are presented as Pledged revenue payable to trustee.

#### **5. RELATED PARTY TRANSACTIONS**

Under an agreement with the Authority, the Developer was responsible for overseeing the construction and development of the public infrastructure projects. In addition, the Developer will fulfill certain administrative and operational functions for the Authority on an ongoing basis. The Developer has paid operating costs on behalf of the Authority for which it is eligible for reimbursement. Thus, the Authority has reported amounts due to the Developer for operating costs incurred on its behalf by the Developer.

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

#### **6. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts and liability, damage to and theft of or destruction of assets; errors and omissions; and natural disasters. The Authority maintains insurance coverage with private carriers for property and general liability insurance. Settled claims did not exceed coverage for the year ended December 31, 2016.

#### **7. SUBSEQUENT EVENT**

On December 1, 2017, the Authority along with the Berkshire Township, Delaware County, Delaware County Finance Authority, and Columbus Outlets, LLC entered into a cooperative agreement. Under the Development Agreement, the Developer agreed to incur certain upfront costs of the initial construction and completion of the Project on behalf of the County, the New Community Authority and the Township, provided that upon the completion such costs of the Project (in excess of the County Contribution, as defined herein) would be reimbursed to the Developer from TIF Payments (defined below) contributed by the Township and facility charges levied by the Authority.

In order to provide funding for the Project, the County contributed \$8 million to provide a portion of the cost of the Project, the Township agreed to provide an exemption from 75% of real property taxes of the improvements (as defined in Section 5709.73 of the Ohio Revised Code) associated with the Development, and to require the owner of the Development to make payments in lieu of taxes ("TIF Payments") in an amount equal to the real property taxes so exempted, and to make such TIF Payments available to pay costs of the Project and the New Community Authority agreed to levy a facility charge, in accordance with Chapter 349 of the Ohio Revised Code equal to 1/2 of 1% of all sales at retail occurring at the Development and contribute such amounts towards the costs of the Project.



# 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*

Berkshire Landing New Community Authority  
Delaware County  
140 N Sandusky Street  
Delaware, Ohio 43015

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 Berkshire Landing New Community Authority, Delaware County, (the Authority) as of and for the years ended December 31, 2016 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 31, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiency.

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 a 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. We consider findings 2017-001, 2017-002, and 2017-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-003 described in the accompanying schedule of findings to be a significant deficiency.

**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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2017-001 and 2017-004.

**Authority's Response to Findings**

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

**Purpose of this Report**

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 31, 2018

**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Material Weakness and Noncompliance- Insufficient Board Oversight**

Implementing and maintaining strong internal controls and monitoring practices of the Authority's financial activities are the responsibility of management and the Board of Trustees and are essential to help ensure proper financial reporting.

Cash collection receipt cycles pose an inherent risk for the Authority and it is important that proper policies and procedures are in place to help ensure accountability over these cash collections. **Ohio Admin. Code § 117-2-01(D)(4)** states, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

In addition, the Board of Trustees should periodically monitor control procedures to verify they are functioning effectively. To serve as informed overseers of the financial reporting process, the Board of Trustees, at minimum, should periodically perform the following functions:

- Review monthly financial reports
- Review monthly reconciliations
- Review the financial statements
- Approve financial transactions
- Assure that audit results are addressed

The following lack of internal controls or monitoring activities were noted:

- No documentation to indicate the Board of Trustees perform any oversight procedures including those listed above.
- No oversight to help ensure bills for assessed valuation charges are sent out timely, collected timely, and the correct distributions are made to the appropriate local governments.
- Inadequate segregation of duties associated with all receipts and disbursements as the Treasurer performs all functions with no Board oversight.

Failure to implement adequate internal controls such as board oversight and segregation of duties could result in further errors, irregularities, and/or theft. These issues could go undetected for an extended period of time and lead to inaccurate financial statements.

**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-001 (Continued)**

**Material Weakness and Noncompliance- Insufficient Board Oversight (Continued)**

We recommend the Authority implement policies and procedures over internal controls related to segregation of duties and the financial reporting process. In addition, we recommend the Board meet regularly to monitor the financial activity of the Authority and document their reviews.

**Officials' Response-** The Authority will form an Audit Committee to address this finding.

**FINDING NUMBER 2017-002**

**Material Weakness- Financial Statement Presentation**

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

The below adjustments were material and were subsequently posted to the trial balances and financial statements:

- In 2016, the Authority did not present Pledged Revenue to Trustees or Pledged Revenue payable to Trustees for \$432,867.
- In 2017 and 2016, the Authority did not present Assessed Valuation Expense or the related liability, Due to Other Governments, for \$286,964 and \$143,482, respectively.
- In 2017 and 2016, the Authority did not present Pledged Revenue Receivables or the related Deferred Inflow of Resources for \$1,367,735 and \$476,862, respectively.
- In 2017, the Authority did not present non-cash activity on the Statement of Cash Flows for the Pledged Revenue for \$476,862.

We also identified material errors and omissions in the footnotes that have been adjusted in the final report. Disclosures for Assessed Valuation Expense, Pledged Revenues, and Tax Increment Financing Agreement were not originally included in the footnotes.

The Authority lacks internal controls and review procedures to help ensure expenditures and outstanding liabilities are properly classified on the financial statements. Presenting inaccurate financial information resulted in significant modifications to the Authority's financial statements.

**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2017-002 (Continued)**

**Material Weakness- Financial Statement Presentation (Continued)**

We recommend the Authority review current policies and procedures to enhance controls over recording transactions and financial reporting to help ensure information accurately reflects the activity of the Authority increasing the reliability of the financial data throughout the year.

**Officials' Response-** The Authority's Audit Committee will perform a formal review with their accounting firm Clark Shaeffer Hackett prior to submission to the Auditor of State.

**FINDING NUMBER 2017-003**

**Significant Deficiency -Monthly Reconciliations**

Strong monitoring practices over the Authority's financial activities are the responsibility of the Treasurer and the Board of Trustees. To help ensure proper financial reporting, the Authority should perform monthly reconciliations over fundamental financial components such as their bank account and operating revenues received by administrators, who act on the Authority's behalf.

A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Additionally, monthly reconciliations over Facility Charge receipts collected by the Facility Charge Administrator should be performed, and any discrepancies should be communicated to the Board of Trustees. Evidence of these reviews should be documented, and approved in the Authority's minutes.

During both fiscal year 2016 and 2017, the Authority did not perform monthly bank-to-book reconciliations or Facility Charge reconciliations.

This resulted in financial reporting errors as notated in Finding 2017-002, which have been adjusted in the accompanying financial statements.

We recommend the Authority reconcile all bank accounts to the books on a timely basis. In this process all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected on the Authority's ledgers following the completion of the reconciliation. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by an individual with appropriate fiscal authority and by the Board of Trustees and that evidence of these reviews and approvals be documented. Additionally, we recommend the Authority perform monthly reconciliations over Facility Charge receipts, and any/all discrepancies be communicated with the Board of Trustees.

**Officials' Response-** The Authority will perform and provide to their board monthly reconciliations.

**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-004**

**Noncompliance and Material Weakness- Valuation Charges and Distributions**

On July 22, 2015, Columbus Outlets, LLC a Delaware limited liability company with the consent and agreement of Berkshire Crossing Development LLC filed the **Declaration of Covenants, Restrictions, and Agreements for Berkshire Landing New Community Authority**. The agreement outlines the requirements for the Authority to receive a \$9,980,000 Community Facilities Revenue Bond.

Page 18 of the **Community Facilities Revenue Bond Agreement** (Financial Matters section), states the responsibilities for the major financial functions of the New Community Authority (NCA) are shared by the Treasurer and the Board of Trustees. The Board of Trustees appoints the Treasurer to oversee the financial affairs of the NCA, including the keeping and supervision of all NCA accounts and the custody and disbursement of all NCA funds and money.

Approved by the Board of Trustees within **resolution 2016-05, Section 2**, an Assessed Valuation Charge (as provided defined in section 2.04 of the Declaration and resolution 2016-05), shall be levied with respect for tax year 2015 and 2016 payable directly to the Authority. Payment for tax year 2015 shall be in one installment due December 10, 2016, and for tax year 2016 two equal installments due on January 31, 2017 and June 30, 2017, respectively.

Pursuant to **Section 6 of Resolution 2016-05**, "Amounts received from the Assessed Valuation Charge shall be paid and are hereby appropriated as follows: (a) one-third to Berkshire Township; (b) one-third to the City of Delaware, Ohio and (c) one-third to the BST&G Fire District. The Treasurer is authorized to make arrangements to make such payments on or before December 15, 2017.

The Authority neglected to send the first request for payment until May 22, 2017, approximately 4 months after the installment was due. We also noted the Authority did not make their 2016 or 2017 distributions to the City of Delaware, Berkshire Township, or BTS&G Fire District until 2018.

Violation of these covenants could result in litigation between each of the local governments and the authority, or the lender calling the note and/or halting any additional lending. Additionally, as a direct result of the Authority's inability to make payments in accordance with their agreement, their financial statements were materially misstated as mentioned in finding 2017-002.

We recommend the Authority review the requirements of their debt covenants, and develop a system to help ensure all collections and payments are made within the periods specified in their agreement.

**Officials' Response-** This has been corrected and future distributions will be made according to the debt covenants.





# Dave Yost • Auditor of State

**BERKSHIRE LANDING NEW COMMUNITY AUTHORITY**

**DELAWARE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 29, 2018**