

**NEW ALBANY EAST
COMMUNITY AUTHORITY**
LICKING COUNTY, OHIO

**Basic Financial Statements
(Audited)**

**For the Years Ended
December 31, 2019 and 2018**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
New Albany East Community Authority
8000 Walton Parkway #120
New Albany, Ohio 43054

We have reviewed the *Independent Auditor's Report* of the New Albany East Community Authority, Licking County, prepared by Julian & Grube, Inc., for the audit period January 1, 2018 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 New Albany East Community 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

August 2, 2020

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**NEW ALBANY EAST COMMUNITY AUTHORITY
LICKING COUNTY, OHIO**

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the New Albany East Community Authority, Licking County, Ohio, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the New Albany East 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 New Albany East 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 New Albany East 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the New Albany East Community Authority, Licking County, Ohio, as of December 31, 2019 and 2018, and the changes in its respective financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements for the year ended December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the New Albany East Community Authority. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020, on our consideration of the New Albany East 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 New Albany East Community Authority's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
June 26, 2020

**NEW ALBANY EAST COMMUNITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Period Ending December 31, 2019 (unaudited)**

The discussion and analysis of the New Albany East Community Authority's financial performance provides an overview of the Authority's financial performance as a for the period ended December 31, 2019. The intention of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

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

Financial Highlights

Key financial highlights for 2019 and 2018 follow:

- Total assets increased \$2,125,670, or 96.24%, between December 31, 2019 and December 31, 2018. Total liabilities decreased \$5,616 or 100% between December 31, 2019 and December 31, 2018. Total net position increased \$2,131,286, or 96.74%, between December 31, 2019 and December 31, 2018.
- Total operating revenues increased \$1,286,410, or 93.55%, between December 31, 2019 and December 31, 2018. Total operating expenditures increased \$63,780 or 183.87%, between December 31, 2019 and December 31, 2018.

Using this Financial Report

This financial report contains the basic financial statements of the Authority, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and change in net assets, and a statement of cash flows for the Period Ending December 31, 2019. As the Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Position

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

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

**NEW ALBANY EAST COMMUNITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Period Ending December 31, 2019 (unaudited)**

Summary Statement of Net Position

Assets:	<u>2019</u>	<u>2018</u>
Other Assets	\$4,334,328	\$2,208,658
Total Assets	\$4,334,328	\$2,208,658
Liabilities:		
Current Liabilities	0	5,616
Total Liabilities	0	5,616
Net Position: Unrestricted	4,334,328	2,203,042
Total Net Position	<u>\$4,334,328</u>	<u>\$2,203,042</u>

The increase in total assets between December 31, 2019 and December 31, 2018 was due to an increase in cash and equivalents of \$903,832 and an increase in accounts receivable of \$1,221,838. The decrease in total liabilities was due to a decrease in accrued expenses of \$5,616.

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

	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 2,661,460	\$1,375,050
Operating Expenses	<u>98,467</u>	<u>34,687</u>
Operating Income	\$ 2,562,993	\$1,340,363
Non-Operating Revenue (Expenses)	<u>(431,707)</u>	<u>0</u>
Change in Net Position	\$ 2,131,286	\$1,340,363

The increase in operating revenues between December 31, 2019 and December 31, 2018 was due an increase of \$1,214,290 in the Community Development Charge and an increase in County Collection Fee income of \$72,120. The increase in Operating expenses between December 31, 2019 and December 31, 2018 was due to a increase in county collection fees of \$72,220, offset by a reduction in legal fees of \$3,798 accounting fees \$3,870, insurance and bank fees of \$672. Non Operating Revenue (Expenses) increased to (\$431,707) due to an increase of \$452,769 in donations to the City of New Albany for Economic Development projects offset by interest earnings of \$21,062.

Request for Information

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

**NEW ALBANY EAST COMMUNITY AUTHORITY
STATEMENT OF NET POSITION
December 31, 2019**

Assets:	
Equity in pooled cash and cash equivalents	\$ 1,755,619
Receivables:	
Community development charge	<u>2,578,709</u>
Total assets	<u>\$ 4,334,328</u>
Net position:	
Unrestricted (deficit)	<u>\$ 4,334,328</u>
Total net position	<u><u>\$ 4,334,328</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NEW ALBANY EAST COMMUNITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2019

Operating revenues:	
Community development charge	\$ 2,577,204
Community development charge collection fees	<u>84,256</u>
Total operating revenues	2,661,460
Operating expenses:	
Bank charges	36
Accounting fees	5,025
Legal fees	9,150
County Collection fees	<u>84,256</u>
Total operating expenses	98,467
Operating income (loss)	2,562,993
Nonoperating revenues (expenses):	
Interest income	21,062
Economic Development Project Funding	<u>(452,769)</u>
Total nonoperating revenues (expenses)	(431,707)
Change in net position	2,131,286
Net position at beginning of period	<u>\$ 2,203,042</u>
Net position at end of period	<u><u>\$ 4,334,328</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW ALBANY EAST COMMUNITY AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019**

Cash flows from operating activities:	
Cash received from community development charge	\$ 1,439,622
Cash payments for administrative expenses	(104,083)
Net cash provided by (used in) operating activities	<u>1,335,539</u>
 Cash flows from capital and related financing activities:	
Economic development contributions	(452,769)
Net cash used in capital and related financing activities	<u>(452,769)</u>
 Cash flows from investing activities:	
Interest received	\$ 21,062
Net cash provided by investing activities	<u>21,062</u>
Net increase (decrease) in cash and cash equivalents	903,832
Cash and cash equivalents at the beginning of the period	<u>851,787</u>
Cash and cash equivalents at the end of the period	<u>\$ 1,755,619</u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ 2,562,993
 Changes in assets and liabilities:	
Decrease (increase) in community development charge receivable	(1,221,838)
Increase (decrease) in accounts payable	(5,616)
Net cash provided by (used in) operating activities.	<u>\$ 1,335,539</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NEW ALBANY EAST COMMUNITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1 - DESCRIPTION OF THE ENTITY

The New Albany East Community Authority (the Authority) is a “community authority” created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On November 18, 2014, the MJB Holdings, LLC (the Developer) filed a petition (the Petition) for the creation of the Authority with the City of New Albany, Ohio. The Petition, which may be subject to amendment or other change, allows the Authority to oversee the construction of and finance a portion of, the Community Facilities in the District in support of the Developer's land acquisitions and land development activities. In accordance with the Act, the Petition was accepted by the City Resolution No. R-85-2014, adopted November 18, 2014. By its Ordinance O-06-2015 adopted on February 24, 2015 the City determined that the new community district would be conducive to the public health, safety, convenience, and welfare, and that it was intended to result in the development of a new community as described in the Act. The Authority was thereby organized as a body corporate and politic in the State.

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

At December 31, 2019 the Authority is comprised of 1,746 acres of land located in Licking County, Ohio. In accordance with the Act and the Petition, the Authority can levy a community development charge up to 9.75 mills on the assessed value of the land and improvements within the District. The need and amount of the charge is determined annually by the Board of Trustees of the Authority.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Authority's accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

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

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

**NEW ALBANY EAST COMMUNITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Community Development Charge Receivable

The Community Development Charge is recognized as a receivable in the financial statements. The receivable represents charges that have been assessed for 2019 and unpaid from prior years.

D. Operating Revenues and Expenses

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

E. Use of Estimates

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

F. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net position are available. The Authority has no restricted net position at fiscal year-end 2019.

NOTE 3 - COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual development charge up to 9.75 mills on the assessed value of all property within the District. The charge was levied at 9.75 mills for 2019. Charge revenue recognized represents the amount levied as of October 1 of the preceding year.

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

The 2019 assessed values of all property within the District was \$263,594,783. The 2019 receivables recognized based on these figures were \$2,570,049; however, amount recorded is plus or less any credited or delinquent amounts on account.

NEW ALBANY EAST COMMUNITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 4 - CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

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

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

**NEW ALBANY EAST COMMUNITY AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019**

NOTE 4 - CASH AND CASH EQUIVALENTS - (continued)

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

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

Deposits

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

At the report date December 31, 2019, the carrying amounts, as well as the bank balance of the Authority's deposits were \$64,557. The total bank balances were federally insured up to \$250,000.

Investments

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

<u>Investment Type</u>	<u>Category 2</u>	<u>Carrying Value</u>	<u>Amortized Cost</u>
Star Ohio	<u>\$1,691,062</u>	<u>\$1,691,062</u>	<u>\$1,691,062</u>
Total	<u>\$1,691,062</u>	<u>\$1,691,062</u>	<u>\$1,691,062</u>

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC's an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its Investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to advance of notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

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

NEW ALBANY EAST COMMUNITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's investment policy allows investments in money market accounts, certificates of deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. For the year ended December 31, 2018, the Authority has invested 100% of its investments in STAR Ohio.

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

NOTE 5 - RISK MANAGEMENT

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

NOTE 6 - RELATED PARTY TRANSACTIONS

The New Albany East Community Authority was created by the MJB Holdings, LLC (the developer), a wholly owned subsidiary of The New Albany Company LLC. The Authority is contracting with the New Albany Company to provide accounting services. Additionally, the Fiscal Officer for the Authority is also the Fiscal Officer for the New Albany Company.

NOTE 7 - SUBSEQUENT EVENT

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 will impact subsequent periods of the Authority. The Authority's investment portfolio expects to incur a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**NEW ALBANY EAST COMMUNITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018 (unaudited)**

The discussion and analysis of the New Albany East Community Authority's financial performance provides an overview of the Authority's financial performance as a whole for the years ended December 31, 2018. The intention of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

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

Financial Highlights

Key financial highlights for 2018 and 2017 follow:

- Total assets increased \$1,280,549, or 137.97%, between 2018 and 2017. Total liabilities decreased \$59,814 or 91.42% between 2018 and 2017. Total net position increased \$1,340,363, or 155.37%, between 2018 and 2017.
- Total operating revenues increased \$974,637, or 243.41%, between 2018 and 2017. Total operating expenditures increased \$10,954 or 46.15%, between 2018 and 2017.

Using this Annual Financial Report

This financial report contains the basic financial statements of the Authority, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and change in net assets, and a statement of cash flows for the year 2018. As the Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Position

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

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

**NEW ALBANY EAST COMMUNITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018 (unaudited)**

Summary Statement of Net Position

Assets:	<u>2018</u>	<u>2017</u>
Other Assets	\$2,208,658	\$928,109
Total Assets	\$2,208,658	\$928,109
Liabilities:		
Current Liabilities	5,616	65,430
Total Liabilities	5,616	65,430
Net Position: Unrestricted	2,203,042	862,679
Total Net Position	<u>\$2,203,042</u>	<u>\$862,679</u>

The increase in total assets between 2018 and 2017 was due to an increase in cash and equivalents of \$303,840 and an increase in accounts receivable of \$976,709. The decrease in total liabilities was due to a decrease in accrued expenses of \$59,814.

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

	<u>2018</u>	<u>2017</u>
Operating Revenues	\$1,375,050	\$400,413
Operating Expenses	<u>34,687</u>	<u>23,734</u>
Operating Income	\$1,340,363	\$376,679
Non-Operating Revenue (Expenses)	<u>0</u>	<u>0</u>
Change in Net Position	\$1,340,363	\$376,679

The increase in operating revenues between 2018 and 2017 was due an increase of \$962,501 in the Community Development Charge. The increase in total expenses between 2018 and 2017 was due to an increase in legal fees of \$2,251, bank fees of \$56, accounting fees \$8,895, offset by an decrease in county collection fees of \$249.

Request for Information

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

**NEW ALBANY EAST COMMUNITY AUTHORITY
STATEMENT OF NET POSITION
December 31, 2018**

Assets:	
Equity in pooled cash and cash equivalents	\$ 851,787
Receivables:	
Community development charge	<u>1,356,871</u>
Total assets	<u>\$ 2,208,658</u>
Liabilities:	
Accounts payable	5,616
Total liabilities	<u>5,616</u>
Net position:	
Unrestricted (deficit)	<u>\$ 2,203,042</u>
Total net position	<u><u>\$ 2,203,042</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NEW ALBANY EAST COMMUNITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2018

Operating revenues:		
Community development charge	\$	1,362,914
Community development charge collection fees		<u>12,136</u>
Total operating revenues		1,375,050
Operating expenses:		
Bank charges		92
Insurance		616
Accounting fees		8,895
Legal fees		12,948
County Collection fees		<u>12,136</u>
Total operating expenses		34,687
Operating income (loss)		1,340,363
Change in net position		1,340,363
Net position at beginning of period	\$	<u>862,679</u>
Net position at end of period	\$	<u><u>2,203,042</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NEW ALBANY EAST COMMUNITY AUTHORITY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

Cash flows from operating activities:	
Cash received from community development charge	\$ 398,341
Cash payments for administrative expenses	(94,501)
Net cash provided by (used in) operating activities	<u>303,840</u>
Net increase (decrease) in cash and cash equivalents	303,840
Cash and cash equivalents at the beginning of the period	<u>547,947</u>
Cash and cash equivalents at the end of the period	<u>\$ 851,787</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ 1,340,363
Changes in assets and liabilities:	
Decrease (increase) in community development charge receivable .	(976,709)
Increase (decrease) in accounts payable	<u>(59,814)</u>
Net cash provided by (used in) operating activities.	<u>\$ 303,840</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NEW ALBANY EAST COMMUNITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE 1 - DESCRIPTION OF THE ENTITY

The New Albany East Community Authority (the Authority) is a “community authority” created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On November 18, 2014, the MJB Holdings, LLC (the Developer) filed a petition (the Petition) for the creation of the Authority with the City of New Albany, Ohio. The Petition, which may be subject to amendment or other change, allows the Authority to oversee the construction of and finance a portion of, the Community Facilities in the District in support of the Developer's land acquisitions and land development activities. In accordance with the Act, the Petition was accepted by the City Resolution No. R-85-2014, adopted November 18, 2014. By its Ordinance O-06-2015 adopted on February 24, 2015 the City determined that the new community district would be conducive to the public health, safety, convenience, and welfare, and that it was intended to result in the development of a new community as described in the Act. The Authority was thereby organized as a body corporate and politic in the State.

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

At December 31, 2018 the Authority is comprised of 735.54 acres of land located in Licking County, Ohio. In accordance with the Act and the Petition, the Authority can levy a community development charge up to 9.75 mils on the assessed value of the land and improvements within the District. The need and amount of the charge is determined annually by the Board of Trustees of the Authority.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Authority's accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

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

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

**NEW ALBANY EAST COMMUNITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Cash

Cash received by the Authority is deposited with a financial institution. Custodial Credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. At December 31, 2018, the carrying and bank balance amount of the Authority's deposits were \$851,787. Federal Deposit Insurance Corporation (FDIC) covers \$250,000 of the bank balance, and \$601,787 is collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

D. Operating Revenues and Expenses

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

E. Use of Estimates

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

F. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net position are available. The Authority has no restricted net position at fiscal year-end 2018.

G. Community Development Charge Receivable

The Community Development Charge is recognized as a receivable in the financial statements. The receivable represents charges that have been assessed for 2018 and unpaid from prior years.

NOTE 3 - COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual development charge up to 9.75 mills on the assessed value of all property within the District. The charge was levied at 9.75 mills for 2018. Charge revenue recognized represents the amount levied as of October 1 of the preceding year.

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

The 2018 assessed values of all property within the District was \$140,269,047. The 2018 receivables recognized based on these figures were \$1,367,623; however, amount recorded is plus or less any credited or delinquent amounts on account.

NEW ALBANY EAST COMMUNITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE 4 - RISK MANAGEMENT

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

NOTE 5 – RELATED PARTY TRANSACTIONS

The New Albany East Community Authority was created by the MBJ Holdings, LLC (the developer), a wholly owned subsidiary of The New Albany Company LLC. The Authority is contracting with the New Albany Company to provide accounting services. Additionally, the Fiscal Officer for the Authority is also the Fiscal Officer for the New Albany Company.

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the New Albany East Community Authority, Licking County, Ohio, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the New Albany East Community Authority's basic financial statements and have issued our report thereon dated June 26, 2020, wherein we noted as discussed in Note 7 to the financial statements for the year ended December 31, 2019, 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 New Albany East 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the New Albany East 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 New Albany East 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 New Albany East 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 New Albany East 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 New Albany East Community Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a period at the end.

Julian & Grube, Inc.
June 26, 2020

**NEW ALBANY EAST COMMUNITY AUTHORITY
LICKING COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2017-001	2016	<u>Material Weakness – Accuracy of Filing Annual Report</u> - The Authority had adjustments made to the financial statements as well as adjustments to include all essential footnote disclosures.	Corrected	N/A

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OHIO AUDITOR OF STATE KEITH FABER



NEW ALBANY EAST COMMUNITY AUTHORITY

LICKING 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 8/13/2020

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