

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

REGULAR AUDIT

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Jerome Village Community Authority, Union County, prepared by Julian & Grube, Inc., for the audit period January 1, 2020 to December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 27, 2021

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

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Independent Auditor's Report

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

To the Members of the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Jerome Village Community Authority, Union County, Ohio, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Jerome Village Community Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Jerome Village Community Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Jerome Village Community Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jerome Village Community Authority, Union County, Ohio, as of December 31, 2020, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 12 to the financial statements, the Jerome Village Community Authority has an accumulated deficit net position as of December 31, 2020. This deficit is a result of how the Jerome Village Community Authority is structured and its basic operations. As described in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Jerome Village Community Authority. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of the Jerome Village Community Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jerome Village Community Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jerome Village Community Authority's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
June 28, 2021

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

The management's discussion and analysis of financial performance of the Jerome Village Community Authority, Union County, Ohio, (the Authority), provides an overview of the Authority's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the related notes to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority encourages the orderly development of a well-planned, diversified community of approximately 1,700 acres of land located in Jerome Township, Union County, Ohio.
2. Net Position at December 31, 2020 and 2019 totaled a deficit of \$57.0 million and \$51.8 million, respectively.
3. The Authority approved the issuance of Community Facilities Bonds for the purpose of providing funds to pay the costs of public infrastructure improvements including water, sewer and storm sewer improvements, and road, sidewalk and streetscape improvements, along with parks and community facility improvements, and the acquisition of real estate and site preparation for such improvements.

Overview of the Basic Financial Statements

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

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

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

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

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

The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 9 of this report.

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

Financial Analysis

Table 1 provides a summary of the Authority's net position for years 2020 and 2019.

**Table 1
Net Position at Year End**

	2020	Restated 2019
Assets:		
Current assets	\$ 244,360	\$ 534,027
Capital assets	48,416,698	45,244,278
Total Assets	\$ 48,661,058	\$ 45,778,305
Liabilities:		
Current liabilities	\$ 2,709,993	\$ 490,440
Noncurrent liabilities	102,980,328	97,120,018
Total liabilities	105,690,321	97,610,458
Net position:		
Net investment in capital assets	(2,347,809)	(2,120,858)
Unrestricted	(54,681,454)	(49,711,295)
Total net position	\$ (57,029,263)	\$ (51,832,153)

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

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

Table 2 reflects the changes in the Authority's net position for years 2020 and 2019.

**Table 2
Changes in Net Position**

	2020	2019
Operating revenues:		
Assessed valuation charges	\$ 1,375,655	\$ 1,084,623
Sewer charges	591,925	536,278
Community center, including rent	637,572	565,281
Other	86,400	12,000
Total operating revenues	2,691,552	2,198,182
Operating expenses:		
Total operating expenses	2,513,266	2,511,361
Operating income (loss)	178,286	(313,179)
Non-operating revenues (expenses):		
Sewer oversizing cost reimbursements	-	1,130
Contributions	-	293,751
Community fees	(100,000)	(100,000)
Interest expense	(5,236,703)	(4,985,759)
Offsite roadway contributions	-	(893,474)
Capital dedications	-	(199,300)
Other	(38,693)	-
Total non-operating revenues (expenses)	(5,375,396)	(5,883,652)
Change in net position	(5,197,110)	(6,196,831)
Net position, beginning of year	(51,832,153)	(45,635,322)
Net position, end of the year	\$ (57,029,263)	\$ (51,832,153)

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

The decrease in non-operating expenses is primarily the result of a decrease in capital dedications to Union County and the City of Marysville, offset by increase in interest expense. The increase in interest expense is primarily the result of additional bond proceeds drawn during 2020.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

Budgeting

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

Capital Assets

As of December 31, 2020, the Authority had \$48.4 million in capital assets, an increase of \$3.2 million in comparison with the prior year end. The increase represents capital improvements of \$3.7 million net of current year depreciation of \$493,906 and current year net disposals of \$41,095.

Debt Administration

The Authority has approved the issuance of bonds for the purpose of providing funds to acquire real estate and construct community improvements. As of December 31, 2020, the Authority has issued bonds totaling \$71.5 million, an increase of \$1.3 million in comparison with the prior year end.

Economic Conditions

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The extent to which the pandemic may have a financial impact on the Authority will depend on future developments which are evolving and uncertain. The impact on the Authority's future operating costs, construction-related costs, and revenues cannot be estimated.

Contacting Authority's Financial Management

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

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020

Assets:	
Current assets	
Cash	\$ 80,026
Restricted cash with fiscal agent	91,404
Accounts receivable	62,411
Prepaid expenses	785
Inventory	9,734
Total current assets	244,360
Noncurrent assets	
Nondepreciable capital assets	36,198,508
Depreciable capital assets, net	12,218,190
Total noncurrent assets	48,416,698
Total assets	\$ 48,661,058
Liabilities:	
Current liabilities	
Accounts payable	\$ 2,510,237
Retainage payable	44,494
Community fees payable	44,096
Deferred community development charges	14,552
Real estate tax payable	90,719
Other accrued expenses	5,895
Total current liabilities	2,709,993
Noncurrent liabilities	
Developer payable	768,915
Accrued interest payable	30,682,487
Bonds payable	71,528,926
Total noncurrent liabilities	102,980,328
Total liabilities	105,690,321
Net position:	
Net investment in capital assets	(2,347,809)
Unrestricted	(54,681,454)
Total net position	(57,029,263)
Total liabilities and net position	\$ 48,661,058

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

Operating revenues:	
Assessed valuation charges	\$ 1,375,655
Sewer charges	591,925
Community center revenue	637,572
Other	86,400
Total operating revenues	2,691,552
 Operating expenses:	
Common area repair, maintenance and utilities	304,490
Sewer repair, maintenance and utilities	708,089
Community center expenses	694,616
Administrative costs	80,300
Professional fees	47,459
Real estate taxes	184,406
Depreciation	493,906
Total operating expenses	2,513,266
 Operating income	 178,286
 Non-operating revenue (expenses):	
Township fees	(100,000)
Interest expense	(5,236,703)
Other	(38,693)
Total non-operating expenses	(5,375,396)
 Change in net position	 (5,197,110)
 Net position beginning of year	 (51,832,153)
Net position end of year	\$ (57,029,263)

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows for operating activities:	
Proceeds from assessed valuation charges	\$ 1,371,443
Proceeds from sewer charges	590,725
Proceeds from community center	723,972
Payments for operating expenses	<u>(1,893,667)</u>
Net cash provided by operating activities	<u>792,473</u>
Cash flows for noncapital financing activities	
Proceeds from community fees	130,805
Payments for community fees	(114,418)
Payments to township	<u>(100,000)</u>
Net cash used in noncapital financing activities	<u>(83,613)</u>
Cash flows for capital and related financing activities:	
Payments for capital acquisitions	(1,512,783)
Proceeds from bond	1,335,504
Payments for offsite roadway contributions	(15,715)
Proceeds from capital asset sales and contributions	308,048
Payments for bond interest	(812,657)
Payments for other	<u>(12,060)</u>
Net cash used in capital and related financing activities	<u>(709,663)</u>
Decrease in cash	(803)
Cash at beginning of year	<u>172,233</u>
Cash at end of year	<u><u>\$ 171,430</u></u>

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Operating income	\$ 178,286
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	493,906
Changes in assets and liabilities:	
Accounts receivable	(4,707)
Prepaid expenses	(785)
Inventory	605
Accounts payable	(29,193)
Deferred community development charges	(705)
Real estate tax payable	84,647
Other accrued expenses	(30,341)
Developer payable	100,760
Net cash provided by operating activities	<u><u>\$ 792,473</u></u>

Schedule of noncash transactions:

At the end of 2019, the Authority had capital-related payables totaling \$313,495.

At the end of 2020, the Authority had capital-related payables totaling \$2,508,133.

See accompanying notes to the basic financial statements.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1 - REPORTING ENTITY

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

By its Resolution, the Board of County Commissioners of Union County determined the Authority would be conducive to the public health, safety, convenience and welfare, and that it was intended to result in the development of a new community as described in the Act. The Authority thereby was organized as a body corporate and politic in the State.

By law, the Authority is governed by a seven member board of trustees. The Board of County Commissioners of Union County appointed four of the trustees and the remaining three trustees were appointed by the Developer.

The Authority covers approximately 1,700 acres of land located in Jerome Township, Union County, Ohio. Upon completion, the boundaries will contain residential units and commercial office and retail space, along with approximately 680 acres dedicated for trails, parks, nature preserves, schools and community centers. The entire project includes the construction of waterline, sanitary sewer, main line sanitary sewer, storm sewer, bike path, road and street improvements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and the Basis of Accounting

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

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

C. Cash

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

D. Restricted Cash

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

E. Capital Assets and Depreciation

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

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

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

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

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Noncurrent Liabilities

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

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

G. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, less any outstanding related debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net positions are available. The Authority did not have any restricted net position components as of December 31, 2020.

H. Operating Revenues and Expenses

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

I. Use of Estimates

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

NOTE 3 - DEPOSITS

The carrying amount of the Authority's deposits at December 31, 2020 was \$80,026. The Authority's entire balance was covered by the Federal Depository Insurance Corporation (FDIC).

In addition, the Authority had cash on deposit with Bank of New York Mellon (Trustee) in accordance with the Authority's Master Trust Agreement with the Trustee. The amount on deposit with the Trustee at December 31, 2020 was \$91,404. These amounts are reported as restricted cash with fiscal agent on the Statement of Net Position.

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 4 – COMMUNITY DEVELOPMENT CHARGES

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

The Authority can levy an annual assessed valuation charge up to 9.5 mills on the assessed value of all chargeable property, as defined, within the boundaries of the Authority. Assessed valuation charge revenue recognized in the year 2020 represents the amounts levied for the year.

These charges are generally levied based on the County Auditor's assessed value as of January 1. The assessed value is established by state law at 35% of the current market value based on the County Auditor's tax duplicate. If the County Auditor's tax duplicate does not reflect the completed value on a chargeable parcel, then assessed value shall mean 35% of (a) the most recent arms-length sales price, after completion of improvements to that parcel, (b) if there has been no such sale, the then current land value of the chargeable parcel plus the value of the improvements as stated on the building permit(s) for that parcel, or (c) if there is no improvement value stated on the building permit(s), or if the land value or building permit(s) are not available, the market value of the chargeable parcel as reasonably determined by the Treasurer based on an appraisal of the chargeable parcel. Amounts assessed and due are reflected as revenue on the Statement of Revenues, Expenses and Change in Net Position.

The Authority entered into a Service Agreement dated July 23, 2010, and as amended from time to time, with the City of Marysville and Union County whereby the Authority agreed to provide for the connection of certain property to the sanitary sewer system constructed pursuant to that agreement and the collection of certain charges for the use of the sanitary sewer system ("sewer service charges"). Each user of the sanitary sewer system must pay for the privilege of that use. For year 2020, sewer service charges were levied in the amounts specified in Section 925.01 of the Codified Ordinances of Marysville, Ohio. Amounts assessed and due are reflected as revenue on the Statement of Revenues, Expenses and Change in Net Position.

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

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

Description	Restated Beginning Balance	Additions	Disposals / Dedications	Transfers	Ending Balance
Non-depreciable assets:					
Land	\$ 19,641,245	\$ 2,433,261	\$ -	\$ -	\$ 22,074,506
Construction in progress	68,401	1,230,296	-	(1,066,240)	232,457
Dedications pending acceptance	12,825,305	-	-	1,066,240	13,891,545
Total nondepreciable assets	<u>32,534,951</u>	<u>3,663,557</u>	<u>-</u>	<u>-</u>	<u>36,198,508</u>
Capital assets, being depreciated:					
Land improvements	2,024,798	-	(43,006)	-	1,981,792
Building and improvements	12,805,387	43,864	-	-	12,849,251
Total depreciable capital assets	<u>14,830,185</u>	<u>43,864</u>	<u>(43,006)</u>	<u>-</u>	<u>14,831,043</u>
Total capital assets	<u>47,365,136</u>	<u>3,707,421</u>	<u>(43,006)</u>	<u>-</u>	<u>51,029,551</u>
Less accumulated depreciation for:					
Land improvements	(838,738)	(170,822)	1,911	-	(1,007,649)
Building and improvements	(1,282,120)	(323,084)	-	-	(1,605,204)
Total accumulated depreciation	<u>(2,120,858)</u>	<u>(493,906)</u>	<u>1,911</u>	<u>-</u>	<u>(2,612,853)</u>
Total depreciable assets, net	<u>12,709,327</u>	<u>(450,042)</u>	<u>(41,095)</u>	<u>-</u>	<u>12,218,190</u>
Total capital assets, net	<u>\$ 45,244,278</u>	<u>\$ 3,213,515</u>	<u>\$ (41,095)</u>	<u>\$ -</u>	<u>\$ 48,416,698</u>

NOTE 6 – BONDS PAYABLE

The Authority approved the issuance of Community Facilities Bonds (Series A, Series B, Series C and Series D). The bonds were issued for the purpose of providing funds to pay the costs of public infrastructure improvements including water, sewer and storm sewer improvements, and road, sidewalk and streetscape improvements, along with parks and community facility improvements, and the acquisition of real estate and site preparation for such improvements. The bonds were sold to a related party of the Developer at par.

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

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6 – BONDS PAYABLE (Continued)

Bonds payable activity for the year ended December 31, 2020 was as follows:

	Maturity Date	Interest Rate	Beginning Balance	Draws	Repayments	Ending Balance
Series A, 2010	8/27/2050	8.87%	\$ 22,000,000	\$ -	\$ -	\$ 22,000,000
Series B, 2013	12/15/2053	6.96%	25,000,000	-	-	25,000,000
Series C, 2015	7/15/2055	6.43%	18,375,707	-	-	18,375,707
Series D, 2019	1/18/2059	See Below	4,817,715	1,335,504	-	6,153,219
Total			<u>\$ 70,193,422</u>	<u>\$ 1,335,504</u>	<u>\$ -</u>	<u>\$ 71,528,926</u>

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

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

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

NOTE 7 – LEASES

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

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 8 – RISK MANAGEMENT

The Authority has property, casualty, crime, and public official’s liability protection for potential loss or damage resulting from their operations or to their property. Protection is provided through coverage on a risk transfer basis by A-rated companies and extends to all owned, leased, rented or newly acquired property, as well as their business operations. In the event of a covered claim payment, limits are automatically reinstated up to the Annual Aggregate, if applicable. Coverage for property and crime are written on a deductible basis. Casualty is written with no deductible and public officials coverage is written with a \$5,000 deductible.

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

NOTE 9 - CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

NOTE 10 – CONTRACTUAL COMMITMENTS

Land Acquisition Agreement

The Authority entered into a land acquisition agreement with the Developer during 2014. The acquisition agreement, as amended, is to purchase up to 420 acres of land and any and all improvements located thereon. The purchase price is \$55,469 per acre and is payable from proceeds of the Authority’s bonds. To date, the Authority has purchased approximately 372 acres for \$20.6 million. The outside date for closing on the purchase of any remaining parcel(s) is October 2024.

NOTE 11 - RELATED PARTIES

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

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

**JEROME VILLAGE COMMUNITY AUTHORITY
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 12 - ACCUMULATED DEFICIT OF NET POSITION

At December 31, 2020, the Authority has an accumulated deficit net position of \$57.0 million. This deficit is a result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publicly owned and operated community land and facilities and has incurred such costs. The related deficit will be reduced and eliminated as outstanding debt is paid primarily with future community development charges.

NOTE 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The extent to which the pandemic may have a financial impact on the Authority will depend on future developments which are evolving and uncertain. The impact on the Authority’s future operating costs, construction-related costs, and revenues cannot be estimated.

NOTE 14 – PRIOR PERIOD RESTATEMENT

In 2020, the Authority had to restate beginning assets and liabilities to correct errors in accounting for capital assets in the prior year. This correction related to capital asset accounting had the following effect on net position:

Net Position December 31, 2019	\$ (51,832,153)
Adjustments:	
Nondepreciable capital assets overstated	(199,300)
Accounts payable overstated	199,300
Restated Net Position January 1, 2020	<u><u>\$ (51,832,153)</u></u>

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

To the Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Jerome Village Community Authority, Union County, Ohio, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Jerome Village Community Authority's basic financial statements, and have issued our report thereon dated June 28, 2021, wherein we noted as described in Note 12 to the financial statements, the Jerome Village Community Authority has an accumulated deficit net position. This deficit is a result of how the Jerome Village Community Authority is structured and its basic operations. Furthermore, as described in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Jerome Village Community Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jerome Village Community Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jerome Village Community Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Jerome Village Community Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jerome Village Community Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jerome Village Community Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jerome Village Community Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Julian & Grube, Inc.
June 28, 2021

OHIO AUDITOR OF STATE KEITH FABER



JEROME VILLAGE COMMUNITY DEVELOPMENT AUTHORITY

UNION COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/9/2021

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