

July 17, 2019

TO: Members of the Board of Trustees
of the Delaware South New Community Authority

Matt Callahan
Jim Hill
Jennifer LaPointe

Bill Rogers
Benjamin Kelly
Randy Palmer

FROM: Greg Daniels, Secretary

SUBJECT: Organizational and Fiscal Meeting of the Board of Trustees on Thursday, July 25, 2019, commencing at 2:00 p.m., at One South Sandusky Street, Delaware, Ohio 43015

The 2019 organizational and fiscal meeting of the Board of Trustees of the Delaware South New Community Authority will be held on Thursday, July 25, 2019, commencing at 2:00 p.m., at One South Sandusky Street, Delaware, Ohio 43015.

In addition to the election of officers, the Board of Trustees will consider for adoption (i) a resolution budgeting and appropriating an amount from the Authority's community development charge to pay administrative expenses of the Authority and amounts due under the Cooperative Agreement, and (ii) a resolution levying the Authority's community development charge for fiscal year 2020.

Enclosed are a meeting agenda, minutes of the July 30, 2018, meeting, a financial report and copies of the resolutions referred to in that agenda.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

BOARD OF TRUSTEES

ORGANIZATIONAL AND FISCAL MEETING AGENDA

JULY 25, 2019

1. Meeting called to order; roll call.
2. Certificate of public notice submitted.
3. Submission of the minutes of the July 30, 2018, meeting.
 - a. Motion to approve minutes.
 - b. Second to motion.
 - c. Vote on motion.
4. Reports and communications from officers of the Board.
 - a. Treasurer's Report.
5. Other reports and communications.
 - a. Update on Development of NCA Areas.
6. Election of Chairperson.
 - a. Motion to Nominate.
 - b. Second to Motion.
 - c. Vote on Motion.
7. Election of Vice Chairperson.
 - a. Motion to Nominate.
 - b. Second to Motion.
 - c. Vote on Motion.
8. Election of Secretary.
 - a. Motion to Nominate.
 - b. Second to Motion.
 - c. Vote on Motion.

9. Election of Treasurer.
 - a. Motion to Nominate.
 - b. Second to Motion.
 - c. Vote on Motion.

10. Introduction of new resolutions or motions.
 - a. Resolution No. 2019-1: “BUDGETING AND APPROPRIATING AN AMOUNT FROM THE COMMUNITY DEVELOPMENT CHARGE TO PAY ADMINISTRATIVE EXPENSES OF THE AUTHORITY AND AMOUNTS DUE UNDER THE COOPERATIVE AGREEMENT.”
 - i. Motion to Approve.
 - ii. Second to Motion.
 - iii. Vote on Motion.

 - b. Resolution No. 2019-2: “LEVYING THE COMMUNITY DEVELOPMENT CHARGE FOR FISCAL YEAR 2020.”
 - i. Motion to Approve.
 - ii. Second to Motion.
 - iii. Vote on Motion.

11. Other business.

12. Next meeting.

13. Adjournment.
 - a. Motion to Adjourn.
 - b. Second to Motion.
 - c. Vote on Motion.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

Minutes of the July 30, 2018
Organizational and Fiscal Meeting of the Board of Trustees

The Board of Trustees of The Delaware South New Community Authority (the “Board”) held an organizational and fiscal meeting commencing at 4:36 p.m. on Monday, July 30, 2018, at One South Sandusky Street, Delaware, Ohio 43015, pursuant to notice of the meeting having been given by public posting and delivery to various newspapers published in the City of Delaware.

(Copies of the items marked * are attached hereto and made a part of these minutes.)

Mr. Rogers called the meeting to order and conducted a roll call. The following Trustees were present for the roll call and the remainder of the meeting:

Matt Callahan (Developer Member)
Jim Hill (Citizen Member)
Benjamin Kelly (Citizen Member)
Randy Palmer (Citizen Member)
Bill Rogers (Citizen Member)

Also present were Dean Stelzer (City Finance Director), Robert Alger (Treasurer), Tom Homan (City Manager), Dave Efland (Planning and Community Development Director) and Greg Daniels (Secretary of the Board).

Mr. Daniels reported that notice of the meeting was provided to the City of Delaware, the Delaware Gazette and the Delaware News and was posted at Delaware City Hall and the Delaware Area Chamber of Commerce. The certificate of posting* was filed in compliance with the Ohio open meeting laws.

Mr. Rogers then advised the Board that the next order of business was the submission of the minutes of the August 1, 2017, Organizational and Fiscal Meeting to the Board for its approval. Mr. Hill moved to approve the minutes of the meeting as submitted and Mr. Callahan seconded the motion. The motion was approved as follows: Ayes – Callahan, Hill, Kelly, Palmer and Rogers; Nays – None. Mr. Rogers declared the minutes of the August 1, 2017, Organizational and Fiscal Meeting approved as submitted.

Mr. Rogers then inquired as to whether there were any other reports or communications at this time. Mr. Stelzer presented a financial report detailing the Community Development Charge receipts and current obligations of the Authority to the City.* Mr. Stelzer also discussed financing strategies for the Authority’s remaining obligations.

Mr. Rogers then advised the Board that the next order of business was to elect officers of the Board, commencing with the Chair of the Board. Mr. Hill made a motion to nominate Mr. Rogers as Chair of the Board, and Mr. Kelly seconded the nomination. There being no further nominations, upon roll call vote, the motion was approved as follows: Ayes – Callahan, Hill,

Kelly, Palmer and Rogers; Nays – None. Mr. Rogers declared the motion passed and Mr. Rogers elected Chair of the Board.

Mr. Rogers requested nominations for Vice-Chair of the Board. Mr. Hill made a motion to nominate himself, and Mr. Palmer seconded the motion. There being no further nominations, upon roll call vote, the motion was approved as follows: Ayes – Callahan, Hill, Kelly, Palmer and Rogers; Nays – None. Mr. Rogers declared the motion passed and Mr. Hill elected Vice-Chair of the Board.

Mr. Rogers then requested nominations for Secretary of the Board of Trustees. Mr. Hill made a motion to nominate Mr. Daniels to act as Secretary, and Mr. Palmer seconded the motion. There being no further nominations, upon roll call vote, the motion was approved as follows: Ayes – Callahan, Hill, Kelly, Palmer and Rogers; Nays – None. Mr. Rogers declared the motion passed and Mr. Daniels elected Secretary of the Board.

Mr. Rogers then requested nominations for Treasurer of the Board. Mr. Hill made a motion to nominate Mr. Alger to act as Treasurer, and Mr. Palmer seconded the motion. There being no further nominations, upon roll call vote, the motion was approved as follows: Ayes – Callahan, Hill, Kelly, Palmer and Rogers; Nays – None. Mr. Rogers declared the motion passed and Mr. Alger elected Treasurer of the Board.

Upon Mr. Roger's request, Mr. Daniels then presented to the Board for its consideration Resolution No. 2018-1*, entitled "BUDGETING AND APPROPRIATING AN AMOUNT FROM THE COMMUNITY DEVELOPMENT CHARGE TO PAY ADMINISTRATIVE EXPENSES OF THE AUTHORITY AND AMOUNTS DUE UNDER THE COOPERATIVE AGREEMENT." Mr. Hill moved for the adoption of Resolution No. 2018-1 and Mr. Kelly seconded the motion. After a brief discussion, the motion was approved by roll call vote as follows: Ayes – Callahan, Hill, Kelly, Palmer and Rogers; Nays – None. Mr. Rogers declared the motion passed and Resolution No. 2018-1 adopted.

Upon Mr. Roger's request, Mr. Daniels then presented to the Board for its consideration Resolution No. 2018-2*, entitled "LEVYING THE COMMUNITY DEVELOPMENT CHARGE FOR FISCAL YEAR 2019." Mr. Daniels informed the Board that the Charge would be levied at 7.5 mills, same as the Charge for 2018. Mr. Callahan moved for the adoption of Resolution No. 2018-2 and Mr. Hill seconded the motion. The motion was approved by roll call vote as follows: Ayes – Callahan, Hill, Kelly, Palmer and Rogers; Nays – None. Mr. Rogers declared the motion passed and Resolution No. 2018-2 adopted.

Upon Mr. Roger's request, Mr. Daniels then presented to the Board for its consideration Resolution No. 2018-3*, entitled "RESOLUTION ESTIMATING THE AMOUNT OF ACTIVE MONEYS OF THE AUTHORITY TO BE AWARDED FOR THE PERIOD FROM JULY 30, 2018, TO AND INCLUDING JULY 30, 2023, AND DESIGNATING ONE OR MORE DEPOSITORIES." Mr. Hill moved for the adoption of Resolution No. 2018-3 as amended to reflect that First Commonwealth Bank would be the depository, and Mr. Callahan seconded the motion. The motion was approved by roll call vote as follows: Ayes – Callahan, Hill, Kelly, Palmer and Rogers; Nays – None. Mr. Rogers declared the motion passed and Resolution No. 2018-3 adopted.

Mr. Rogers then requested nominations for Records Officer of the Board. Mr. Palmer made a motion to appoint Ms. Elaine McCloskey to act as Records Officer, and Mr. Callahan seconded the motion. There being no further nominations, upon roll call vote, the motion was approved as follows: Ayes – Callahan, Hill, Kelly, Palmer and Rogers; Nays – None. Mr. Rogers declared the motion passed and Ms. McCloskey appointed Records Officer of the Board.

Following consideration of the foregoing resolutions, Mr. Homan discussed with the Board that the City was preparing a FAQs statement for homeowners living within the Authority's new community district to help answer questions. Mr. Homan and Mr. Efland provided an overview of new developments within the new community district. Board members also discussed the anticipated pay-down period for the Authority's obligations to the City under the Cooperative Agreement.

Mr. Rogers then inquired as to whether there was any other business to come before the Board at this time. There being no further business, Mr. Hill moved to adjourn the meeting, which motion was seconded by Mr. Palmer and approved unanimously by the Board.

Secretary,
The Delaware South New Community Authority

It was moved by _____ and seconded by _____ that the following resolution be adopted:

RESOLUTION NO. 2019-1

BUDGETING AND APPROPRIATING AN AMOUNT FROM THE COMMUNITY DEVELOPMENT CHARGE TO PAY ADMINISTRATIVE EXPENSES OF THE AUTHORITY AND AMOUNTS DUE UNDER THE COOPERATIVE AGREEMENT.

WHEREAS, the Delaware South New Community Authority (the “Authority”) has heretofore been duly created pursuant to the authority contained in Chapter 349 of the Ohio Revised Code (the “NCA Act”), following the filing of a petition in the office of the Clerk of the Delaware City Council (the “Petition”) and the passage by the Delaware City Council of an ordinance approving the Petition and establishing the Authority; and

WHEREAS, that certain Amended and Restated Declaration of Covenants, Restrictions and Agreements for Delaware South New Community Authority in the City of Delaware, Ohio, recorded as instrument number 200700005793 with the Delaware County Recorder, that certain Declaration of Covenants, Restrictions and Agreements for a New Community Authority in the City of Delaware, Ohio recorded as instrument number 201400021872 with the Delaware County Recorder, and that certain Declaration of Covenants, Restrictions and Agreements for a New Community Authority in the City of Delaware, Ohio recorded as instrument number 201600018927 with the Delaware County Recorder. (collectively, as heretofore or hereafter supplemented or amended in accordance with its terms, the “Declaration”), relating to the creation of the Authority has been executed and recorded in the office of the Delaware County Recorder; and

WHEREAS, the Petition provided that the Authority was to be created for the purpose of (i) working cooperatively with the City to construct and finance Glenn Road (the “Community Facilities”), and (ii) levying and collecting a Community Development Charge (as defined in the NCA Act) to cover all or part of the cost of the Community Facilities, the debt service thereof and any other cost incurred by the Authority in the exercise of its powers under the NCA Act; and

WHEREAS, the Authority and the City have entered into a Cooperative Agreement dated as of November 11, 2008 (the “Cooperative Agreement”), pursuant to which the City agreed to construct the Community Facilities for the Authority in exchange for the Authority’s levying and collecting annually the Community Development Charge and reimbursing the City from that Community Development Charge for costs incurred by the City for the design, construction and financing of the Community Facilities; and

WHEREAS, the Authority expects to levy, in accordance with the Declaration, a Community Development Charge for fiscal year 2020 at a rate of 7.5 mills on each Chargeable Parcel (as defined in the Declaration); and

WHEREAS, the Community Development Charge for each Chargeable Parcel is expected to be certified by and on behalf of the Authority to the Delaware County Auditor for collection as provided in Section 349.07 of the Ohio Revised Code; and

WHEREAS, this Board needs to budget and appropriate money at this time in order to pay administrative and other expenses of the Authority for fiscal year 2020; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Delaware South New Community Authority that:

Section 1. There is hereby budgeted and appropriated for fiscal year 2020, from revenues of the Community Development Charge, \$10,000.00 for the purpose of paying administrative expenses of the Authority for fiscal year 2020 (including legal, accounting, audit, notices/postage, insurance/surety bonds and other administrative items).

Section 2. There is hereby budgeted and appropriated for fiscal year 2020, from revenues of the Community Development Charge, any amounts in excess of the amount stated in Section 1 for the purpose of making payments due under the Cooperative Agreement.

Section 3. It is found and determined that all formal actions of this Board concerning and relating to the adoption of this resolution were adopted in an open meeting of this Board, and that all deliberations of this Board that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code, and the rules for notification of meetings to the public and news media for this Authority.

Section 4. This resolution shall be in full force and effect immediately upon its adoption.

The foregoing motion having been put to vote, the result of the roll call was as follows:

Matt Callahan	_____	Jennifer LaPointe	_____
Jim Hill	_____	Bill Rogers	_____
Benjamin Kelly	_____	Randy Palmer	_____

The undersigned, Secretary of the Board of Trustees of the Delaware South New Community Authority, does hereby certify that the foregoing is a true and correct copy of a resolution of that Authority, duly adopted July 25, 2019, and appearing upon the official records of the Board.

Adopted: July 25, 2019

Dated: July 25, 2019

Attest: _____
Secretary, Board of Trustees
Delaware South New Community Authority

It was moved by _____ and seconded by _____ that the following resolution be adopted:

RESOLUTION NO. 2019-2

LEVYING THE COMMUNITY DEVELOPMENT CHARGE FOR FISCAL YEAR 2020.

WHEREAS, the Delaware South New Community Authority (the "Authority") has heretofore been duly created pursuant to the authority contained in Chapter 349 of the Ohio Revised Code (the "NCA Act"), following the filing of a petition in the office of the Clerk of the Delaware City Council (the "Petition") and the passage by the Delaware City Council of an ordinance approving the Petition and establishing the Authority; and

WHEREAS, WHEREAS, that certain Amended and Restated Declaration of Covenants, Restrictions and Agreements for Delaware South New Community Authority in the City of Delaware, Ohio, recorded as instrument number 200700005793 with the Delaware County Recorder, that certain Declaration of Covenants, Restrictions and Agreements for a New Community Authority in the City of Delaware, Ohio recorded as instrument number 201400021872 with the Delaware County Recorder, and that certain Declaration of Covenants, Restrictions and Agreements for a New Community Authority in the City of Delaware, Ohio recorded as instrument number 201600018927 with the Delaware County Recorder. (collectively, as heretofore or hereafter supplemented or amended in accordance with its terms, the "Declaration"), relating to the creation of the Authority has been executed and recorded in the office of the Delaware County Recorder; and

WHEREAS, consistent with the Petition, the Declaration establishes for the benefit and use of the Authority, as a charge on each then Chargeable Parcel (as defined in the Declaration), a maximum annual Community Development Charge of 7.5 mills to cover all or part of the cost of acquisition, development, construction, operation and maintenance of land, land development and Community Facilities (as that term is defined in the Declaration), the debt service thereof and all other costs incurred by the Authority in the exercise of its powers under the NCA Act; and

WHEREAS, the Declaration requires this Board to hold an annual Fiscal Meeting (as defined in the Declaration) to determine whether any of the Community Development Charge should be waived, reduced or terminated as provided in the Declaration; and

WHEREAS, in connection with the preparation of the Community Development Charge for certification for collection, this Board must make certain determinations as to the Assessed Valuation of certain Chargeable Parcels, all pursuant to and as permitted by the Declaration; and

WHEREAS, notice of this Fiscal Meeting has been given in compliance with the Declaration and the law;

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Delaware South New Community Authority that:

Section 1. The 2020 Community Development Charge (for collection in 2020) is hereby levied at a rate of 7.5 mills for each \$1.00 of Assessed Valuation on the Chargeable Parcels, and will not be waived, reduced or terminated. As permitted by and pursuant to Section 2.03(a) of the Declaration, for Chargeable Parcels for which a certificate of occupancy was issued by August 1, 2019, but for which the Assessed Valuation listed on the tax duplicate of the Auditor of Delaware County, Ohio, does not reflect the completed value of a structure on that Chargeable Parcel, "Assessed Valuation" may include thirty-five percent (35%) of the cost of the residential or commercial structure stated on the building permit(s) on file with the City of Delaware or thirty-five percent of the sale price of that Parcel as reflected in the Delaware County Auditor's records, as reasonably determined by the Treasurer.

Section 2. The Community Development Charge for each Chargeable Parcel is payable directly to the Authority on or before September 1, 2019, to the Treasurer of this Board (the "Treasurer") at the Authority's principal office. Any Community Development Charge for any Chargeable Parcel, or any portion thereof, that is unpaid on that date will be certified by the Treasurer by and on behalf of the Authority to the Delaware County Auditor for collection as provided in Section 349.07 of the Revised Code and will bear penalty and interest as set forth in Section 5.04 of the Declaration if it is not paid, as provided by that Section 349.07, within the period provided for the collection of those Community Development Charges with real property taxes.

Section 3. If determined to be necessary or advisable by the Treasurer or Secretary of this Board, the Treasurer or Secretary of this Board will cause notice of the adoption of this Resolution and the Community Development Charge to be published once in a newspaper of general circulation within the boundaries of the Authority's new community district.

Section 4. This Board hereby determines that the collection of the Community Development Charge in the amounts and as otherwise provided in this Resolution is necessary to pay all or part of the cost of the acquisition, development, construction, operation and maintenance of land, land development and Community Facilities and other costs incurred and to be incurred by the Authority in the exercise of its powers under the NCA Act. This Board hereby further determines that its actions in this Resolution are taken with reference to the fiscal requirements of the Authority for the period for which the Community Development Charge is to be collected pursuant to this Resolution as reflected in the budget of the Authority for that period.

Section 5. It is found and determined that all formal actions of this Board concerning and relating to the adoption of this resolution were adopted in an open meeting of this Board, and that all deliberations of this Board that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code, and the rules for notification of meetings to the public and news media for this Authority.

Section 6. This resolution shall be in full force and effect immediately upon its adoption.

The foregoing motion having been put to vote, the result of the roll call was as follows:

Matt Callahan	_____	Jennifer LaPointe	_____
Jim Hill	_____	Bill Rogers	_____
Benjamin Kelly	_____	Randy Palmer	_____

The undersigned, Secretary of the Board of Trustees of the Delaware South New Community Authority, does hereby certify that the foregoing is a true and correct copy of a resolution of that Authority, duly adopted July 25, 2019, and appearing upon the official records of the Board.

Adopted: July 25, 2019

Dated: July 25, 2019

Attest: _____
Secretary, Board of Trustees
Delaware South New Community Authority

April 10, 2019

Delaware South New Community Authority
Delaware County
1 South Sandusky Street
Delaware, Ohio 43015

MANAGEMENT LETTER

To the Governing Board:

In accordance with *Government Auditing Standards*, we have audited the financial statements of the Delaware South New Community Authority, Delaware County (the Authority), as of and for the years ended December 31, 2018 and 2017, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 10, 2019.

Government Auditing Standards also requires that we describe the scope of our testing of compliance with laws and regulations and internal controls over financial reporting and report any irregularities, illegal acts, other material noncompliance and significant deficiencies in the internal controls. We have issued the required report dated April 10, 2019, on compliance and internal control over financial reporting required by *Government Auditing Standards* for the years ended December 31, 2018 and 2017.

We are submitting for your consideration the following comment regarding the Authority's compliance with applicable laws and regulations and on its internal controls. This comment reflects a matter that, while in our opinion does not represent material instances of noncompliance or significant deficiencies in internal controls, we believe represents a matter for which improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendation suggested below. However, this comment reflects our continuing desire to assist your Authority. If you have questions or concerns regarding this comment please do not hesitate to contact us.

SUGGESTION FOR IMPROVING OPERATIONS

Financial Reporting

The compilation and presentation of the financial statements and the related footnotes is the responsibility of management. This responsibility remains intact if management decides to outsource this function for efficiency purposes or any other reason.

A 2017 audit adjustment of \$44,135 was recorded to increase Community Charges Receivable and Deferred Inflows of Resources. This adjustment is a result of the accounting estimate provided by the Delaware County Auditor's Office being less than the actual amount which should have been recorded.

We recommend the Authority develop procedures related to the preparation of the basic financial statements which may assist in reducing the potential for errors and omissions.

Delaware South New Community Authority
Management Letter

This comment is intended solely for the information and use of the management, Finance Committee, Governing Board and the Auditor of State of Ohio, and are not intended to be, or should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Authority. We are available to discuss this letter with you at any time. If you have any questions, please feel free to contact us at your convenience.

Wilson, Shannon & Snow, Inc.

Wilson, Shannon & Snow Inc.
Newark, Ohio

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

REGULAR AUDIT

JANUARY 1, 2017 – DECEMBER 31, 2018



OHIO AUDITOR OF STATE KEITH FABER



Governing Board
Delaware South New Community Authority
1 South Sandusky Street
Delaware, Ohio 43015

We have reviewed the *Independent Auditor's Report* of the Delaware South New Community Authority, Delaware County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2017 through December 31, 2018. 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 Delaware South New 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

April 22, 2019

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**DELAWARE SOUTH NEW COMMUNITY AUTHORITY
DELAWARE COUNTY**

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Delaware South New Community Authority
Delaware County
1 South Sandusky Street
Delaware, Ohio 43015



INDEPENDENT AUDITOR'S REPORT

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Delaware South New Community Authority, Delaware County, Ohio (the Authority), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Delaware South New Community Authority
Delaware County
Independent Auditor's Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware South New Community Authority, Delaware County as of December 31, 2018 and 2017, and the changes in its 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.

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 April 10, 2019, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

April 10, 2019
Newark, Ohio

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Management's Discussion and Analysis for the

Year Ended December 31, 2018

(Unaudited)

The management's discussion and analysis of the Delaware South New Community Authority, Delaware County, Ohio, (the Authority), financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority and the City of Delaware [the City] entered into a cooperative agreement in 2007 to construct Glenn Parkway to provide necessary infrastructure for the further residential development of the City. At the time of the signing, the estimated cost of the project was \$12.4 million. The total cost of the project, including the addition to relocate of the Winter Rd/Peachblow Rd intersection, excluding interest expense on bond anticipation notes [BANs] issued by the City, at December 31, 2018 was \$14.2 million.
2. Between 2005 and 2009, the City issued \$18.15 million in BANs to cover the cost of the project. These one-year BANs have been re-issued over the years as interest rates for BANs have been significantly less than general obligation bonds. Total interest expense paid, net of any BAN premiums, since 2006 amounts to \$1.672 million. The principal owed on these BANs at December 31, 2018 is \$9.815 million. As mentioned above, the BANs remain in City's name, not the Authority's.
3. Federal grant money [\$3.9 million] was awarded to the City and used to fund part of the project [relocate Winter Rd/Peachblow Rd intersection].
4. Authority charges of 7.5 mils have been assessed and collected upon for all new structures built within the Authority's boundaries. Total collections since inception are \$2.32 million.
5. Other revenues received by the City, including Transportation Impact Fees [\$1.1 million], Developer Payments [\$506 thousand] and Interest Income [\$806 thousand] were used to decrease the amount owed to City for the project. Future revenues by the City are not guaranteed to be collected nor used to offset the project costs.
6. Completed public acquisitions and construction on Glenn Parkway totaling \$14.1 million were capitalized by the Authority and donated to the City in prior years.
7. The Authority's net deficit at December 31 was \$7,218,341 for 2018. What remains of the debt associated with the project is to be paid from future Authority charges assessed on homes and other dwellings constructed within the Authority boundaries, mentioned in #4 above.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Management's Discussion and Analysis for the

Year Ended December 31, 2018

(Unaudited)

[continued]

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority's financial activities and financial position. The *Statement of Net Position* and *Statement of Revenues, Expenses, and Changes in Net Position* provide information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities and deferred inflows of resources are included in the Statement of Net Position. The Statement of Net Position represents the financial position of the Authority. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total 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 data provided on the basic financial statements.

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

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

These two statements report the Authority's net position and changes in net position. This change in net position is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority 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 explain some of the information in the financial statements and provide more detailed data.

Financial Analysis

Table 1 provides a comparative analysis summary of Authority's net position for 2018 and 2017.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY**DELAWARE COUNTY***Management's Discussion and Analysis for the**Year Ended December 31, 2018**(Unaudited)**[continued]*

Table 1; Net Position

	<u>2018</u>	<u>2017</u>
Assets:		
Current Assets	\$ 740,262	\$ 617,664
Total Assets	<u>740,262</u>	<u>617,664</u>
Liabilities:		
Due to Other Governments	7,228,259	7,815,489
Total Liabilities	<u>7,228,259</u>	<u>7,815,489</u>
Deferred Inflows of Resources	<u>730,344</u>	<u>607,715</u>
Net Position:		
Unrestricted	(7,218,341)	(7,805,540)
Total Net Position	<u>\$ (7,218,341)</u>	<u>\$ (7,805,540)</u>

Net Position: Net position represents the difference between assets and liabilities and deferred inflows of resources.

Table 2; Change in Net Position

	<u>2018</u>	<u>2017</u>
Operating Revenues	\$ 607,715	\$ 441,896
Operating Expenses	<u>20,516</u>	<u>2,098</u>
Operating Income	587,199	439,798
Non-Operating Revenues	<u>0</u>	<u>38,849</u>
Change in Net Position	587,199	478,647
Beginning Net Position	<u>(7,805,540)</u>	<u>(8,284,187)</u>
Ending Net Position	<u>\$ (7,218,341)</u>	<u>\$ (7,805,540)</u>

Operating revenues increased significantly in 2018 as more and more homes are built and occupied within the boundaries of the Authority. In 2017 and 2018, 152 and 137 homes were completed and occupied, respectively. Community Authority charges are currently the only operating revenues and these are assessed on occupied homes only. Operating expenses decreased for 2018 as no audit costs were incurred since the Authority is now audited bi-annually.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Management's Discussion and Analysis for the

Year Ended December 31, 2018

(Unaudited)

[continued]

Change in Net Position

Going forward, the Authority is expected to show continued increases in community development charge revenues as the growth in housing continues.

Community Development Charge

Revenue from Community Development Charge paid by each owner of a chargeable parcel will be used to pay off the debt incurred to acquire the asset. The Community Development Charge is calculated on 7.5 mils times thirty-five percent of the assessed value of chargeable property, which includes buildings, structures, and improvements. The amount of revenue will increase in years when available parcels are sold and improvements are made, thus increasing the total assessed value of chargeable property.

Capital Assets

The Authority does not report capital assets.

Debt

The Authority has no debt issued in its name. The debt secured to fund the Glenn Parkway Project was issued by the City of Delaware by way of short-term bond anticipation notes [BANs]. These BANs were issued at a very low interest rate and subsequently renewed every year until the Authority generates enough revenue through the community development charges to secure bonding the BANs in its own name. The amount owed to the City is reported as Due to Other Governments within the basic financial statements.

Budgeting

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

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors 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 Rob Alger, Treasurer, Delaware South New Community Authority at:

Rob Alger, City of Delaware, 1 South Sandusky St, Delaware OH 43015, 740.203.1203.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY
 DELAWARE COUNTY
 STATEMENT OF NET POSITION
 AS OF DECEMBER 31, 2018

	<u>2018</u>
ASSETS	
Cash and Cash Equivalents	\$ 9,918
Community Charges Receivable	<u>730,344</u>
<i>Total Assets</i>	<u>740,262</u>
LIABILITIES	
Current Liabilities	
Due to Other Governments	<u>7,228,259</u>
<i>Total Liabilities</i>	<u>7,228,259</u>
DEFERRED INFLOWS OF RESOURCES	
Assessments to be Levied in the Next Year	<u>730,344</u>
<i>Total Deferred Inflows of Resources</i>	<u>730,344</u>
NET POSITION	
Unrestricted	<u>(7,218,341)</u>
<i>Total Net Position</i>	<u><u>\$ (7,218,341)</u></u>

See notes to the basic financial statements

DELAWARE SOUTH NEW COMMUNITY AUTHORITY
 DELAWARE COUNTY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
OPERATING REVENUES	
Community Authority Charges	\$ 607,715
Total Operating Revenues	<u>607,715</u>
OPERATING EXPENSES	
Services and Charges	<u>20,516</u>
Total Operating Expenses	<u>20,516</u>
<i>Operating Income/Change in Net Position</i>	587,199
Beginning Net Position	<u>(7,805,540)</u>
Ending Net Position	<u><u>\$ (7,218,341)</u></u>

See notes to the basic financial statements

DELAWARE SOUTH NEW COMMUNITY AUTHORITY
 DELAWARE COUNTY
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
Cash Flows From Operating Activities	
Cash Received From Community Authority Charges	\$ 607,715
Cash Paid to City	(607,335)
Cash Paid to Others	<u>(411)</u>
Net Cash Used In Operating Activities	<u>(31)</u>
Net Change In Cash and Cash Equivalents	(31)
Cash and Cash Equivalents at Beginning of Year	<u>9,949</u>
Cash and Cash Equivalents at End of Year	<u>\$ 9,918</u>

**Reconciliation of Operating Income to Net Cash
 Used in Operating Activities**

Operating Income	\$ 587,199
Adjustment:	
Decrease in Due to Other Governments	<u>(587,230)</u>
Net Cash Used In Operating Activities	<u>\$ (31)</u>

See notes to the basic financial statements

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

NOTE 1 - REPORTING ENTITY

The Delaware South New Community Authority, Delaware County, Ohio (the "Authority") is a "community authority" created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On January 9, 2007, Tanglewood Development Company LLC, Tanglewood Investment Company LLC, Rockford Homes Inc., Homerock LLC, Lakes at Cheshire LLC, and Dominion Homes Inc., (collectively, the Developer) filed a petition (the Petition) for creation of the Authority with the Board of County Commissioners of Delaware County, Ohio, and the Petition was accepted by a resolution of the Board on February 12, 2007. The Petition was also accepted by resolution of the City Council of the City of Delaware, February 12, 2007. By their Resolutions, the County Commissioners and City Council determined that the new community 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. At inception, the City Council appointed four of the trustees, including one representing the local government [City] and the remaining three trustees were appointed by the Developer. The new community authority is comprised of approximately 650 acres of land located in the City of Delaware, Ohio and Delaware County, Ohio. The entire project includes the acquisition of property and the construction of the Glenn Parkway. In accordance with the Act and the Petition, the Authority can levy a community development charge up to 7.5 mills on the assessed value of the land and improvements within the Authority. 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 significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

For financial reporting purposes, the Authority's basic financial statements would include all funds, agencies, boards, commissions, and departments for which the Authority is financially accountable. Financial accountability, as defined by the GASB, exists if the Authority appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Authority. The Authority may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the Authority. The Authority also took into consideration

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

(continued)

other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's basic financial statements to be misleading or incomplete.

The City of Delaware is considered a jointly governed organization to the Authority as disclosed in Note 8.

A. Basis of Presentation

The Authority's basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes 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.

B. Measurement Focus and Basis of Accounting

The Authority's financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities and deferred inflows of resources associated with the operation of the Authority are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents 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 financial statements. Basis of accounting relates to the timing of the measurements made.

C. Cash and Cash Equivalents

Cash received by the Authority is deposited with a financial institution. Deposits having an original maturity of three months or less at the time they are purchased are presented in the financial statements as Cash and Cash Equivalents.

D. Net Position

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their 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 had no restricted net position at December 31, 2018.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

(continued)

E. 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 this definition are reported as non-operating.

F. Use of Estimates

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

G. Subsequent Events

The Authority has evaluated subsequent events through April 10, 2019, the date which the financial statements were available to be issued.

NOTE 3 – COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community authority development charge up to 7.5 mills on the assessed value of all subject property within the Authority. The charge is currently levied at the full 7.5 mills. Charge revenue recognized represents the amount levied and payable on August 31 of each year. Charge assessments are levied on the assessed values certified by the Delaware County the second Monday in September. The assessed value is established by state law at 35% of the current market value. Property is levied the millage 1 year after the Authority receives a Certificate of Occupancy from the City of Delaware. Market values are determined by the Authority based on the current County Auditor’s appraisal values or building permit values on occupied homes that have not yet been appraised by the County Auditor.

The assessed value of real property upon which the tax year August 2017 community development charges were levied was sufficient enough to generate community charge revenues of \$607,715 for the year ended December 31, 2018.

NOTE 4 – RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables at December 31 consisted of levied but not yet assessed community development charges and delinquent community development charges. All receivables are considered collectible. Amounts assessed and due but not collected, are reflected as both a receivable and deferred inflow of resources on the statement of net position. The amount recorded as a receivable and deferred inflow of resources at December 31 was \$730,344 for 2018.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

(continued)

NOTE 5 – COOPERATION AGREEMENT WITH THE CITY OF DELAWARE

As stated in Note 3, the Authority levies an annual community development charge of 7.5 mills on the assessed value of all property within the developed authority. The Authority has an agreement with the City of Delaware to remit these payments to the City to reduce the construction costs incurred by the City until the Authority is able to issue bonds and finance the debt on its own.

NOTE 6 – CONTINGENT LIABILITIES

There are no claims or lawsuits pending against the Authority at December 31, 2018.

NOTE 7 – RISK MANAGEMENT

For the year ended December 31, 2018, the Authority had obtained risk coverage for general liability, including theft or loss. The Authority has no assets, other than cash held in a banking institution. Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction from prior year.

NOTE 8 – JOINTLY GOVERNED ORGANIZATION

The Authority was established pursuant to Chapter 349 of the Ohio Revised Code to encourage the orderly development of a well-planned, diversified, and economically sound community; to encourage initiative and participation of private enterprise in this undertaking; and to encourage cooperation between the developer and the Authority to carry out the new community development program.

The Authority is governed by a seven member Board of Trustees. Delaware City Council appoints three citizen members to the Authority Board to represent the interests of present and future residents and one member to serve as a representative of the City. The Developer shall appoint three members to serve on the Board as representatives of the Developer.

As disclosed in Note 5, a cooperative agreement has been established with the City of Delaware specific to repayment of notes issued by the City to construct the related infrastructure within the Authority. Although this agreement is in place, City of Delaware Council cannot impose its will on the Authority and cannot approve current or future Authority operating budgets.

NOTE 9 – ACCUMULATED DEFICIT

At December 31, the Authority has an accumulated deficit of net position of \$7,218,341 for 2018. This deficit is a result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publicly owned and operated community facilities. The titles to

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

(continued)

these assets have been transferred to the City of Delaware. This deficit will be reduced and eliminated as outstanding debt is paid with, primarily, future community development charges.

NOTE 10 – DEPOSITS AND INVESTMENTS

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 withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustee 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, pass book accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that 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 pass book accounts.

State statutes permits interim monies to be deposited or invested in a variety of securities and investments including US treasury notes, bills, bonds 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.

Statement No. 3 as amended by Statement No. 40 of the Governmental Accounting Standards Board requires the Authority to disclose essential risk information about deposits and investments. The disclosure requirements cover four main areas: credit risk, interest rate and investment maturity, interest rate sensitivity and foreign exchange exposure.

Deposits

Custodial Credit Risk – Deposits. The carrying amount of the Authority's deposits at December 31, was \$9,918 for 2018. The bank balance was the same as the carrying value. The Authority's deposits are protected only up to amounts covered by the Federal Depository Insurance Corporation (FDIC). The Authority had no deposits at December 31, 2018 in excess of the FDIC insurance levels.

Investments

The Authority had no investments for the year ended December 31, 2018.

Based on the Authority having only demand deposits during 2018, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Management's Discussion and Analysis for the

Year Ended December 31, 2017

(Unaudited)

The management's discussion and analysis of the Delaware South New Community Authority, Delaware County, Ohio, (the Authority), financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority and the City of Delaware [the City] entered into a cooperative agreement in 2007 to construct Glenn Parkway to provide necessary infrastructure for the further residential development of the City. At the time of the signing, the estimated cost of the project was \$12.4 million. The total cost of the project, including the addition to relocate of the Winter Rd/Peachblow Rd intersection, excluding interest expense on bond anticipation notes [BANs] issued by the City, at December 31, 2017 was \$14.1 million.
2. Between 2005 and 2009, the City issued \$18.15 million in BANs to cover the cost of the project. These one-year BANs have been re-issued over the years as interest rates for BANs have been significantly less than general obligation bonds. Total interest expense paid, net of any BAN premiums, since 2006 amounts to \$1.649 million. The principal owed on these BANs at December 31, 2017 is \$11.215 million. As mentioned above, the BANs remain in City's name, not the Authority's.
3. Federal grant money [\$3.9 million] was awarded to the City and used to fund part of the project [relocate Winter Rd/Peachblow Rd intersection].
4. Authority charges of 7.5 mils have been assessed and collected upon for all new structures built within the Authority's boundaries. Total collections since inception are \$1.715 million.
5. Other revenues received by the City, including Transportation Impact Fees [\$1.017 million], Developer Payments [\$506 thousand] and Interest Income [\$806 thousand] were used to decrease the amount owed to City for the project. Future revenues by the City are not guaranteed to be collected nor used to offset the project costs.
6. Completed public acquisitions and construction on Glenn Parkway totaling \$14.1 million were capitalized by the Authority and donated to the City in prior years.
7. The Authority's net deficit at December 31, 2017 totaled \$7,805,540. What remains of the debt associated with the project is to be paid from future Authority charges assessed on homes and other dwellings constructed within the Authority boundaries, mentioned in #4 above.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Management's Discussion and Analysis for the

Year Ended December 31, 2017

(Unaudited)

[continued]

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority's financial activities and financial position. The *Statement of Net Position* and *Statement of Revenues, Expenses, and Changes in Net Position* provide information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities and deferred inflows of resources are included in the Statement of Net Position. The Statement of Net Position represents the financial position of the Authority. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total 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 data provided on the basic financial statements.

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

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

These two statements report the Authority's net position and changes in net position. This change in net position is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These 2017 statements can be found on pages 19 and 20 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 21 of this report. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis

Table 1 provides a comparative analysis summary of Authority's net position for 2017 and 2016.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY**DELAWARE COUNTY***Management's Discussion and Analysis for the**Year Ended December 31, 2017**(Unaudited)**[continued]*

Table 1; Net Position

	<u>2017</u>	<u>2016</u>
Assets:		
Current Assets	\$ 617,664	\$ 453,997
Total Assets	<u>617,664</u>	<u>453,997</u>
Liabilities:		
Due to Other Governments	7,815,489	8,294,084
Total Liabilities	<u>7,815,489</u>	<u>8,294,084</u>
Deferred Inflows of Resources	<u>607,715</u>	<u>444,100</u>
Net Position:		
Unrestricted	<u>(7,805,540)</u>	<u>(8,284,187)</u>
Total Net Position	<u>\$ (7,805,540)</u>	<u>\$ (8,284,187)</u>

Net Position: Net position represents the difference between assets and liabilities and deferred inflows of resources. The Authority had a negative net position of (\$7,805,540) as of December 31, 2017.

Table 2; Change in Net Position

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$ 441,896	\$ 332,597
Operating Expenses	<u>2,098</u>	<u>1,552</u>
Operating Income	439,798	331,045
Non-Operating Revenues	<u>38,849</u>	<u>154,947</u>
Change in Net Position	478,647	485,992
Beginning Net Position	<u>(8,284,187)</u>	<u>(8,770,179)</u>
Ending Net Position	<u>\$ (7,805,540)</u>	<u>\$ (8,284,187)</u>

Operating revenues increased significantly in 2017 as more and more homes are built and occupied within the boundaries of the Authority. In 2017, 128 more homes were completed and occupied. Community Authority charges are currently the only operating revenues and these are assessed on

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Management's Discussion and Analysis for the

Year Ended December 31, 2017

(Unaudited)

[continued]

occupied homes only. The increase in operating expenses was caused by an increase in audit costs in 2017 and surety bonds for officials, as there are now 7 board members. For 2017, City-provided transportation fees [non-operating revenues] were received to reduce the amount owed to the City for infrastructure construction within the Authority.

Change in Net Position

Going forward, the Authority is expected to show continued increases in community development charge revenues as the growth in housing, albeit slow, continues.

Community Development Charge

Revenue from Community Development Charge paid by each owner of a chargeable parcel will be used to pay off the debt incurred to acquire the asset. The Community Development Charge is calculated on 7.5 mils times thirty-five percent of the assessed value of chargeable property, which includes buildings, structures, and improvements. The amount of revenue will increase in years when available parcels are sold and improvements are made, thus increasing the total assessed value of chargeable property.

Capital Assets

The Authority does not report capital assets.

Debt

The Authority has no debt issued in its name. The debt secured to fund the Glenn Parkway Project was issued by the City of Delaware by way of short-term bond anticipation notes [BANs]. These BANs were issued at a very low interest rate and subsequently renewed every year until the Authority generates enough revenue through the community development charges to secure bonding the BANs in its own name. The amount owed to the City is reported as Due to Other Governments within the basic financial statements.

Budgeting

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

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors 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 Rob Alger, Treasurer, Delaware South New Community Authority at:

Rob Alger, City of Delaware, 1 South Sandusky St, Delaware OH 43015, 740.203.1203.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY
 DELAWARE COUNTY
 STATEMENT OF NET POSITION
 AS OF DECEMBER 31, 2017

	<u>2017</u>
ASSETS	
Cash and Cash Equivalents	\$ 9,949
Community Charges Receivable	<u>607,715</u>
<i>Total Assets</i>	<u>617,664</u>
LIABILITIES	
Current Liabilities	
Due to Other Governments	<u>7,815,489</u>
<i>Total Liabilities</i>	<u>7,815,489</u>
DEFERRED INFLOWS OF RESOURCES	
Assessments to be Levied in the Next Year	<u>607,715</u>
<i>Total Deferred Inflows of Resources</i>	<u>607,715</u>
NET POSITION	
Unrestricted	<u>(7,805,540)</u>
<i>Total Net Position</i>	<u>\$ (7,805,540)</u>

See notes to the basic financial statements

DELAWARE SOUTH NEW COMMUNITY AUTHORITY
 DELAWARE COUNTY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>
OPERATING REVENUES	
Community Authority Charges	\$ 441,896
Total Operating Revenues	<u>441,896</u>
OPERATING EXPENSES	
Services and Charges	<u>2,098</u>
Total Operating Expenses	<u>2,098</u>
<i>Operating Income</i>	439,798
NON-OPERATING REVENUES	
Intergovernmental Revenues	<u>38,849</u>
Total Non-Operating Revenues	<u>38,849</u>
Change in Net Position	478,647
Beginning Net Position	<u>(8,284,187)</u>
Ending Net Position	<u><u>\$ (7,805,540)</u></u>

See notes to the basic financial statements

DELAWARE SOUTH NEW COMMUNITY AUTHORITY
 DELAWARE COUNTY
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>
Cash Flows From Operating Activities	
Cash Received From Community Authority Charges	\$ 441,896
Cash Paid to City	(439,746)
Cash Paid to Others	<u>(2,098)</u>
Net Cash Provided By Operating Activities	<u>52</u>
Net Change In Cash and Cash Equivalents	52
Cash and Cash Equivalents at Beginning of Year	<u>9,897</u>
Cash and Cash Equivalents at End of Year	<u>\$ 9,949</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income	\$ 439,798
Non-operating revenues	38,849
Adjustment:	
Decrease in Due to Other Governments	<u>(478,595)</u>
Net Cash Used In Operating Activities	<u>\$ 52</u>

See notes to the basic financial statements

Noncash transactions:

The Authority received the benefit of noncash contributions from Transportation Impact Fees collected by the City of Delaware which were used to reduce the amount reported as *Due to Other Governments* and were recorded as *Non-operating Revenues*.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

NOTE 1 - REPORTING ENTITY

The Delaware South New Community Authority, Delaware County, Ohio (the "Authority") is a "community authority" created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On January 9, 2007, Tanglewood Development Company LLC, Tanglewood Investment Company LLC, Rockford Homes Inc., Homerock LLC, Lakes at Cheshire LLC, and Dominion Homes Inc., (collectively, the Developer) filed a petition (the Petition) for creation of the Authority with the Board of County Commissioners of Delaware County, Ohio, and the Petition was accepted by a resolution of the Board on February 12, 2007. The Petition was also accepted by resolution of the City Council of the City of Delaware, February 12, 2007. By their Resolutions, the County Commissioners and City Council determined that the new community 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. At inception, the City Council appointed four of the trustees, including one representing the local government [City] and the remaining three trustees were appointed by the Developer. The new community authority is comprised of approximately 650 acres of land located in the City of Delaware, Ohio and Delaware County, Ohio. The entire project includes the acquisition of property and the construction of the Glenn Parkway. In accordance with the Act and the Petition, the Authority can levy a community development charge up to 7.5 mills on the assessed value of the land and improvements within the Authority. 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 significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

For financial reporting purposes, the Authority's basic financial statements would include all funds, agencies, boards, commissions, and departments for which the Authority is financially accountable. Financial accountability, as defined by the GASB, exists if the Authority appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Authority. The Authority may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the Authority. The Authority also took into consideration

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

(continued)

other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's basic financial statements to be misleading or incomplete.

The City of Delaware is considered a jointly governed organization to the Authority as disclosed in Note 8.

A. Basis of Presentation

The Authority's basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes 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.

B. Measurement Focus and Basis of Accounting

The Authority's financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities and deferred inflows of resources associated with the operation of the Authority are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents 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 financial statements. Basis of accounting relates to the timing of the measurements made.

C. Cash and Cash Equivalents

Cash received by the Authority is deposited with a financial institution. Deposits having an original maturity of three months or less at the time they are purchased are presented in the financial statements as Cash and Cash Equivalents.

D. Net Position

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their 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 had no restricted net position at December 31, 2017.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

(continued)

E. 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 this definition are reported as non-operating.

F. Use of Estimates

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

G. Subsequent Events

The Authority has evaluated subsequent events through April 10, 2019, the date which the financial statements were available to be issued.

NOTE 3 – COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community authority development charge up to 7.5 mills on the assessed value of all subject property within the Authority. The charge is currently levied at the full 7.5 mills. Charge revenue recognized represents the amount levied and payable on August 31 of each year. Charge assessments are levied on the assessed values certified by the Delaware County the second Monday in September. The assessed value is established by state law at 35% of the current market value. Property is levied the millage 1 year after the Authority receives a Certificate of Occupancy from the City of Delaware. Market values are determined by the Authority based on the current County Auditor's appraisal values or building permit values on occupied homes that have not yet been appraised by the County Auditor.

The assessed value of real property upon which the tax year August 2016 community development charges were levied was sufficient enough to generate community charge revenues of \$441,896 for the year ended December 31, 2017.

NOTE 4 – RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables at December 31, 2017 consisted of levied but not yet assessed community development charges and delinquent community development charges. All receivables are considered collectible. Amounts assessed and due but not collected, are reflected as both a receivable and

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

(continued)

deferred inflow of resources on the statement of net position. The amount recorded as a receivable and deferred inflow of resources was \$607,715.

NOTE 5 – COOPERATION AGREEMENT WITH THE CITY OF DELAWARE

As stated in Note 3, the Authority levies an annual community development charge of 7.5 mills on the assessed value of all property within the developed authority. The Authority has an agreement with the City of Delaware to remit these payments to the City to reduce the construction costs incurred by the City until the Authority is able to issue bonds and finance the debt on its own.

NOTE 6 – CONTINGENT LIABILITIES

There are no claims or lawsuits pending against the Authority at December 31, 2017.

NOTE 7 – RISK MANAGEMENT

For the year ended December 31, 2017, the Authority has obtained risk coverage for general liability, including theft or loss. The Authority has no assets, other than cash held in a banking institution. Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction from prior year.

NOTE 8 – JOINTLY GOVERNED ORGANIZATION

The Authority was established pursuant to Chapter 349 of the Ohio Revised Code to encourage the orderly development of a well-planned, diversified, and economically sound community; to encourage initiative and participation of private enterprise in this undertaking; and to encourage cooperation between the developer and the Authority to carry out the new community development program.

The Authority is governed by a seven member Board of Trustees. Delaware City Council appoints three citizen members to the Authority Board to represent the interests of present and future residents and one member to serve as a representative of the City. The Developer shall appoint three members to serve on the Board as representatives of the Developer.

As disclosed in Note 5, a cooperative agreement has been established with the City of Delaware specific to repayment of notes issued by the City to construct the related infrastructure within the Authority. Although this agreement is in place, City of Delaware Council cannot impose its will on the Authority and cannot approve current or future Authority operating budgets.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

(continued)

NOTE 9 – ACCUMULATED DEFICIT

At December 31, 2017 the Authority has an accumulated deficit of net position of \$7,805,540. This deficit is a result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publicly owned and operated community facilities. The titles to these assets have been transferred to the City of Delaware. This deficit will be reduced and eliminated as outstanding debt is paid with, primarily, future community development charges.

NOTE 10 – DEPOSITS AND INVESTMENTS

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 withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustee 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, pass book accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that 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 pass book accounts.

State statutes permits interim monies to be deposited or invested in a variety of securities and investments including US treasury notes, bills, bonds 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.

Statement No. 3 as amended by Statement No. 40 of the Governmental Accounting Standards Board requires the Authority to disclose essential risk information about deposits and investments. The disclosure requirements cover four main areas: credit risk, interest rate and investment maturity, interest rate sensitivity and foreign exchange exposure.

Deposits

Custodial Credit Risk – Deposits. The carrying amount of the Authority's deposits at December 31, 2017 was \$9,949. The bank balance was the same as the carrying value. The Authority's deposits are protected only up to amounts covered by the Federal Depository Insurance Corporation (FDIC). The Authority had no deposits at December 31, 2017 in excess of the FDIC insurance levels.

Investments

The Authority had no investments for the year ended December 31, 2017.

DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

(continued)

Based on the Authority having only demand deposits at December 31, 2017, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Delaware South New Community Authority
Delaware County
1 South Sandusky Street
Delaware, Ohio 43015

To the Governing Board:

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 Delaware South New Community Authority, Delaware County, (the Authority) as of and for the years then ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 10, 2019.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Sherman & Sons, Inc.

April 10, 2019
Newark, Ohio

OHIO AUDITOR OF STATE KEITH FABER



DELAWARE SOUTH NEW COMMUNITY AUTHORITY

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2019**