



Dave Yost • Auditor of State



**MT. ORAB PORT AUTHORITY  
BROWN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Mt. Orab Port Authority  
Brown County  
211 High Street  
PO Box 466  
Mt. Orab, Ohio 45154

To the Board of Directors:

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

We have audited the accompanying financial statements of the Mt. Orab Port Authority, Brown County, Ohio (the Port Authority), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Port 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 Port 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 Port Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mt. Orab Port Authority, Brown County, Ohio, as of December 31, 2016 and 2015 and the changes in financial position and its cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

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**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 February 12, 2018, on our consideration of the Port 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 Port Authority's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 12, 2018

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2016**  
**(UNAUDITED)**

The discussion and analysis of the Mt. Orab Port Authority, Brown County, Ohio (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

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

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- The Port Authority finished 2016 with \$489,949 in cash and cash equivalents, which is an increase of \$83,424 from 2015.
- The Port Authority kept non development operating expenses low for the fiscal year only expensing \$16,767 although there was no operating revenue for the year.
- The Port Authority disbursed \$9,114,143 on the lease and tif bond proceeds for the Auto Mall Project.

**Using this Financial Report**

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

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2016**  
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**Statement of Net Position**

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

Net position is reported in three broad categories (as applicable):

**Net Position, Net Investment in Capital Assets:** This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

**Restricted Net Position:** This component of net position consists of restricted assets which constraints are placed on assets by grantors, contributors, laws, regulations, etc.

**Unrestricted Net Position:** Consists of net position that does not meet the definition of “Net Position Invested in Capital Assets, Net of Related Debt” or “Restricted Net Position”.

Table 1 provides a summary of the Port Authority’s net position for 2015 and 2016.

	<u>2015</u>	<u>2016</u>
<b>Assets:</b>		
Current assets	\$11,259,086	\$1,706,044
Long term assets	29,384,362	28,961,578
Capital assets	267,310	74,740
Total Assets	<u>40,910,758</u>	<u>30,742,362</u>
<b>Liabilities:</b>		
Current liabilities	6,238	331,085
Long term liabilities	14,119,324	13,789,324
Total Liabilities	<u>14,125,562</u>	<u>14,120,409</u>
<b>Deferred Inflows of Resources</b>	<u>29,384,362</u>	<u>28,961,578</u>
<b>Net position:</b>		
Net Investment in Capital Assets	267,310	74,740
Unrestricted	<u>(2,866,476)</u>	<u>(12,414,365)</u>
Total Net position	<u><u>(\$2,599,166)</u></u>	<u><u>(\$12,339,625)</u></u>

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**(UNAUDITED)**

In 2015, the Port Authority received a donation of a 0.60 acre parcel for marketing and that was sold to the Southern Hill JVS during 2016.

The current liabilities increased in fiscal year 2016 with the current amounts due on the two bonds issued during 2015. Table 2 addresses the changes in next position from 2015 and 2016.

	<u>2015</u>	<u>2016</u>
<b>Operating Revenues:</b>		
Administrative Fees	\$1,500	\$0
Reimbursements	6,350	0
Interest	110	222
Total Operating Revenues	<u>7,960</u>	<u>222</u>
<b>Operating Expenses:</b>		
Christmas Parade	2,500	2,500
Travel and Meals	250	0
Development Costs	4,955	93,532
Accounting	1,426	1,750
Legal Fees	2,577	3,679
Property Taxes	3,858	769
Other General Admin	170	247
Insurance	186	1,822
Intergovernmental	686,579	6,000
Total Operating Expenses	<u>702,501</u>	<u>110,299</u>
Operating (Loss)	<u>(694,541)</u>	<u>(110,077)</u>

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**(UNAUDITED)**

	2015	2016
<b>Nonoperating Revenues:</b>		
Interest	\$963	\$11,756
Proceeds from sale of assets	947,932	6,084
Donation of assets	192,570	0
Interest expense	(274,982)	(951,963)
Capital distributions	(2,434,668)	(9,114,143)
Lease payments	0	422,784
Cost of issuances/fiscal charges	(558,076)	(5,000)
Total Nonoperating Revenues (Expenses)	(2,126,261)	(9,630,382)
Change in Net position	(2,820,802)	(9,740,459)
Net position, Beginning of Year	221,636	(2,599,166)
Net position, End of Year	(\$2,599,166)	(\$12,339,625)

The Port Authority continued to disburse funds from the bond issuances to complete the infrastructure improvements for the Auto Mall Project. The Port Authority did sell the donated property from 2015 during 2016. The net difference from the donation value is showing on the books although the Port Authority received a larger cash deposit. The Auto Mall started making lease payments during 2016 as well..

**Capital Assets**

The Port Authority reports \$74,740 in capital assets at December 31, 2016. For more information on the Port Authority's capital assets refer to note 4 of the basic financial statements.

**Debt**

The Port Authority had two debt issuances outstanding at December 31, 2016. The Port Authority also had the conduit debt issued on behalf of American Trailer Works. See notes 6 and 8 of the basic financial statements for additional information.

***MT. ORAB PORT AUTHORITY  
BROWN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(UNAUDITED)***

**Contacting the Port Authority**

This financial report is designed to provide a general overview of the finances of the Mt. Orab Port Authority and to show the Port Authority's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Mt. Orab Port Authority, 750 South High Street, Mt. Orab, Ohio 45154 (937) 444-4141.

**MT. ORAB PORT AUTHORITY  
BROWN COUNTY, OHIO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

**ASSETS:**

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 489,949
Restricted Cash and Cash Equivalents	1,216,095
TOTAL CURRENT ASSETS	1,706,044

LONG TERM ASSETS:

Lease Receivable - Mt. Orab Auto Mall	20,635,294
Intergovernmental Receivable - Mt. Orab Auto Mall	8,326,284
Capital Assets - Land held for Resale	74,740
TOTAL LONG TERM ASSETS	29,036,318

TOTAL ASSETS	30,742,362
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**LIABILITIES:**

CURRENT LIABILITIES:

Accounts Payable	1,085
Current Portion of TIF Revenue Bonds	20,000
Current Portion of Lease Revenue Bonds	310,000
	331,085

TOTAL CURRENT LIABILITIES:	331,085
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LONG TERM LIABILITIES:

TIF Revenue Bonds	3,210,309
Lease Revenue Bonds	10,579,015
TOTAL LONG TERM LIABILITIES:	13,789,324

TOTAL LIABILITIES	14,120,409
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**DEFERRED INFLOWS FOR RESOURCES:**

Lease/TIF Receivable	28,961,578
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**NET POSITION:**

Restricted:	
Net Investment in Capital Assets	74,740
Unrestricted	(12,414,365)
	(12,339,625)

TOTAL NET POSITION	\$ (12,339,625)
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See accompanying notes to the basic financial statements

**MT. ORAB PORT AUTHORITY  
BROWN COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**OPERATING REVENUES:**

Interest		\$	222
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**OPERATING EXPENSES:**

Christmas Parade			2,500
Insurance			1,822
Development Costs			93,532
Accounting			1,750
Legal			3,679
Property Taxes			769
Other General Administration			247
Intergovernmental			6,000
			<hr/>
Total Operating Expenses			110,299
			<hr/>
Operating Loss			(110,077)

**NONOPERATING REVENUES (EXPENSES):**

Restricted Interest			11,756
Lease Payments Revenues			422,784
Gain on Sale of Asset			6,084
Interest Expense			(951,863)
Capital Distributions			(9,114,143)
Cost of Issuance			(5,000)
			<hr/>
Total Nonoperating Revenues (Expenses)			(9,630,382)

**CHANGE IN NET POSITION**

			(9,740,459)
Net Position Beginning of Year			(2,599,166)
Net Position End of Year			<u>\$ (12,339,625)</u>

See accompanying notes to the basic financial statements

**MT. ORAB PORT AUTHORITY  
BROWN COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Cash flows from operating activities:**

Cash payments to supplier for goods and services	\$ (109,452)
Cash payments to Village of Mt. Orab	(6,000)
Cash received from other sources	222
Net cash used for operating activities	<u>(115,230)</u>

**Cash flows from capital related activities:**

Lease Payments	422,784
Proceeds from sale of assets	198,654
Capital distributions for construction project	(9,114,143)
Interest expense	(951,863)
Fiscal fees on bonds	(5,000)
Net cash used for capital related activities	<u>(9,449,568)</u>

**Cash flows from investing activities:**

Interest received	<u>11,756</u>
Net cash provided by investing activities	<u>11,756</u>

Net Decrease in Cash and Cash Equivalents (9,553,042)

Cash and cash equivalents at beginning of year	<u>11,259,086</u>
Cash and cash equivalents at end of year	<u>\$ 1,706,044</u>

**Reconciliation of operating loss to net cash used for operating activities**

Operating Loss	(110,077)
Adjustments to reconcile operating loss to net cash used for operating activities	
Decrease in Accounts Payable	<u>(5,153)</u>
Net cash used for operating activities	<u>\$ (115,230)</u>

See accompanying notes to the basic financial statements

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**1. DESCRIPTION OF THE REPORTING ENTITY**

The Mt. Orab Port Authority, Brown County, Ohio (the “Port Authority”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Mayor of the Village of Mt. Orab appoints three Board Members to direct the Port Authority.

The Port Authority provides services that are enumerated in Sections 4582.31 of the Ohio Revised Code. The services include but are not limited to the power to purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities. The Port Authority was established to promote, develop, and advance the general welfare, commerce, and economic development of Mt. Orab and its citizens.

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all divisions and operations for which the Port Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization’s governing board and able to impose its will on the organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or to impose specific financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Port Authority itself is included in the financial reporting entity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements of Mt. Orab Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Port Authority’s accounting policies are described below.

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation**

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

**B. Measurement Focus and Basis of Accounting**

The enterprise fund measurement focus is on the determination of revenues, expenses, financial position, and cash flows as the identification of these items is necessary for appropriate capital maintenance, public policy, management control, and accountability. The Port Authority's financial transactions are recorded on the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.

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. Budgetary Data**

Ohio Revised Code Section 4582.39 requires the port authority to annually prepare a budget.

The Mt. Orab Port Authority's annual budget, as provided by law, is prepared on the cash basis of accounting. The budget includes amounts for current year revenues and expenses.

The Mt. Orab Port Authority maintains budgetary control by not permitting total capital expenditures and accounts charges to individual expense categories to exceed their respective appropriations without an amendment of appropriations by the Board of Directors.

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

For the fiscal year 2016 budget, the Port Authority did certify beginning balances; certify revenue available for appropriation; and adopt appropriations within available resources and present an approved fiscal year budget during the May 2016 Board meeting.

**D. Cash and Cash Equivalents**

Cash balances of the Port Authority, except cash held by the fiscal agent and restricted cash, are pooled and invested in short-term investments in order to provide improved cash management. Investment income credit to the General Fund during 2016 was \$222 with the restricted cash trust account receiving \$11,756.

During 2016, investments were limited to money market mutual funds. Investments are reported at fair value which is based on quoted market prices.

For purposes of the statement of cash flows and for presentation on the statement of net position, the Port Authority's cash management pool and investments with original maturities of three months or less are considered to be cash equivalents. Investments, not part of the cash management pool, with an initial maturity of more than three months are reported as investments.

**E. Organizational Costs**

Organization costs were expensed during the fiscal year as the Port Authority incurred minimal expenses in organizing and would be considered immaterial to capitalize and amortize over a forty year period.

**F. Operating and Non-Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly at the Port Authority's primary mission. For the Port Authority, there were no operating revenues during 2016. Operating expenses are necessary costs incurred to support the Port Authority's primary mission.

Non-operating revenues and expenses are those that are not generated directly by the Port Authority's primary mission. Various state grants, local government contributions, interest income and expenses comprise the non-operating revenues and expenses of the Port Authority. The Port Authority sold 0.60 acres held for redevelopment purposes during the year. The Port Authority also issued two different set of bonds during 2015 in relation to the car dealership development on the 29+ acres the Port Authority owns that had the majority of the funds distributed to the developer. The Port Authority also received lease payments for the second half of 2016 in relation to the debt service payments due in December.

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Capital assets and depreciation**

The accounting and reporting treatment applied to capital assets is determined by the ultimate use. Capital assets include one parcel held of resale. The Port Authority has no capital asset policy.

**H. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the statement of net position.

**I. Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as revenue until that time.

Deferred inflows of resources related to pension received from the Mt. Orab Auto Mall for debt service payment associated with the two debt obligations are reported on the statement of net position.

**J. Net Position**

Net position represents the difference between assets and liabilities. Net position of net investment in capital assets consist of capital assets, net of accumulated depreciation and net of related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**K. Conduit Debt Financing**

One of the Port Authority's main functions is to provide Mt. Orab companies and organizations with the ability to issue debt at a tax exempt rate. The company may use the Port Authority's tax exempt status for such offerings by issuing conduit revenue bonds backed by reimbursement agreements with the Port Authority and trustee.

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. 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 financial statements and accompanying notes. Actual results may differ from those estimates.

**3. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Port Authority as:

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

**Deposits**

At fiscal year-end, the carrying value of the Port Authority's deposits was \$489,949 and the bank balance was \$494,218. \$250,000 of the bank balance was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$244,218 of the deposits were exposed to custodial credit risk.

The Port Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Port Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of December 31, 2016, the Port Authority had \$1,216,095 invested in money market mutual funds that carries a credit rating of S& P – AAAm.

**MT. ORAB PORT AUTHORITY**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2016, was as follows:

	Balance 12/31/2015	Increases	Decreases	Balance 12/31/2016
Land held for resale	\$267,310	\$0	\$192,570	\$74,740

**5. RISK MANAGEMENT**

The Port Authority is covered by Ohio Casualty Insurance Company for fidelity bonds at \$50,000 for Mr. Cierley and Mr. Wallace. The Port Authority has general liability insurance for \$1,000,000 per occurrence with a \$3,000,000 general aggregate through US Specialty Insurance Company. There is also \$1,000,000 for Public Officials Wrongful Act (\$1,000 deductible) with a \$1,000,000 aggregate through US Specialty Insurance Company.

**6. CONDUIT DEBT PAYABLE**

The Port Authority has issued debt obligations on behalf of the American Trailer Works, Inc. for the purpose of constructing a new building and related machinery and equipment. This bond and the interest thereon do not constitute debt or liability by the Port Authority, Village of Mt. Orab, Brown County or the State of Ohio, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. The Port Authority issued a \$3,400,000 Ohio Enterprise Bond Fund issue on December 5, 2011. As of June 30, 2016 (latest available information) the outstanding balance was \$2,100,000. The Port Authority has no obligation to repay the outstanding balance.

**7. LEASE RECEIVABLE**

The Port Authority enters into various financing arrangements for the purpose of funding the construction of facilities that are leased to private and public companies. Financing lease agreements with the companies provide for leasing payments sufficient to fund the related debt issued by the Port Authority and other costs and expenses related to the project. The leases are non-cancelable until the underlying debt and any related charges are paid in full. Lease payments cover a minimum of the principal and interest payments on the debt as they become due. Lease arrangements allow the lessee an option to purchase the leased facility at the termination of the lease. All expenses related to the debt and operation and maintenance of the leased facilities are the responsibility of the lessee.

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**7. LEASE RECEIVABLE (continued)**

The Port Authority has no responsibility for the repayment of any of the debt issued for the construction of the leased facilities if the resources provided by the underlying lease are insufficient to pay the obligation. All lease payments and debt retirement payments are administered and flow through accounts of the Port Authority and are recognized in the accompanying statements.

**8. LONG TERM OBLIGATIONS**

The Port Authority was involved with Mt. Orab Auto Mall project. As part of the Port Authority's participation, the project issued two different bond issues during the 2015 year.

On August 17, 2015, \$11,415,000 in lease revenue bonds were issued. The developer is fully responsible for making the respective lease payments on the bonds. These bonds were issued at interest rates ranging from 5.75% to 6.75% with a final maturity on December 31, 2036.

On August 17, 2015, \$3,485,000 in tax increment financing revenue bonds were issued. These bonds will be paid through a payment in lieu of taxes directed to the Village of Mt. Orab, who will deposit the funds necessary to make the payments. These bonds were issued at 6.25% rate with a final maturity of December 31, 2045.

Changes in long-term obligations during 2016 were as follows:

	Balance 12/31/15	Increase	Decrease	Balance 12/31/16	Due within one year
Lease Revenue Bonds – 2015	\$11,415,000	\$0	\$0	\$11,415,000	\$310,000
Discount	(525,985)	0	0	(525,985)	0
TIF Revenue Bonds – 2015	3,485,000	0	0	3,485,000	20,000
Discount	(254,691)	0	0	(254,691)	0
<b>Total</b>	<b>\$14,119,324</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,119,324</b>	<b>\$330,000</b>

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**8. LONG TERM BOND PAYABLES (continued)**

Years	Lease Revenue Bonds		
	Principal	Interest	Total
2017	\$310,000	\$720,486	\$1,030,486
2018	330,000	702,662	1,032,662
2019	350,000	683,688	1,033,688
2020	370,000	663,562	1,033,562
2021	390,000	642,288	1,032,288
2022-2026	2,310,000	2,845,374	5,155,374
2027-2031	3,095,000	2,062,462	5,157,462
2032-2036	4,260,000	899,772	5,159,772
Totals	\$11,415,000	\$9,220,294	\$20,635,294

Years	TIF Revenue Bonds		
	Principal	Interest	Total
2017	20,000	231,376	251,376
2018	25,000	230,124	255,124
2019	25,000	228,562	253,562
2020	25,000	227,000	252,000
2021	35,000	225,438	260,438
2022-2026	245,000	1,089,062	1,334,062
2027-2031	415,000	992,498	1,407,498
2032-2036	640,000	833,024	1,473,024
2067-2041	960,000	585,050	1,545,050
2042-2045	1,095,000	199,150	1,294,150
Totals	\$3,485,000	\$4,841,284	\$8,326,284

**MT. ORAB PORT AUTHORITY**  
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**9. CURRENT YEAR PROJECTS**

Mt. Orab Auto Mall

During 2015, the Port Authority entered into a lease for the Mt. Orab Auto Mall development. The Port Authority issued two bond issues (See Note 8) to help finance the improvements. At the end of 2016, the development had five different auto brands located on site that employed an average of 46 people.

During 2016, the Port Authority spent \$16,369 to prepare the mega site for certification by the State of Ohio as a major site in fiscal year 2017. The site comprises 1145 acres and it one of three sites listed a mega site in Ohio.

**10. CHANGE IN ACCOUNTING PRINCIPLES**

The Port Authority implemented the following GASB statements during fiscal year 2016:

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*

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**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2015**  
**(UNAUDITED)**

The discussion and analysis of the Mt. Orab Port Authority, Brown County, Ohio (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

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

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- The Port Authority finished 2015 with \$406,525 in cash and cash equivalents, which is an increase of \$298,168 from 2014.
- The Port Authority kept non intergovernmental operating expenses low for the fiscal year only expensing \$15,922 which was slightly higher than the operating revenues received (\$7,960) for the year.
- The Port Authority issued two bonds during year with face value amounts of \$14,900,000.

**Using this Financial Report**

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

**MT. ORAB PORT AUTHORITY**  
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**Statement of Net Position**

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

Net position is reported in three broad categories (as applicable):

**Net Position, Net Investment in Capital Assets:** This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

**Restricted Net Position:** This component of net position consists of restricted assets which constraints are placed on assets by grantors, contributors, laws, regulations, etc.

**Unrestricted Net Position:** Consists of net position that does not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt" or "Restricted Net Position".

Table 1 provides a summary of the Port Authority's net position for 2014 and 2015.

**Table 1 - Net Position**

	2014	2015
<b>Assets:</b>		
Current assets	\$148,007	\$11,259,086
Capital assets	74,740	267,310
Other long-term assets	0	29,384,362
<b>Total Assets</b>	<u>222,747</u>	<u>40,910,758</u>
<b>Liabilities:</b>		
Current liabilities	1,111	6,238
Long term liabilities	0	14,119,324
<b>Total Liabilities</b>	<u>1,111</u>	<u>14,125,562</u>
<b>Deferred Inflows</b>	<u>0</u>	<u>29,384,362</u>
<b>Net position:</b>		
Net Investment in Capital Assets	74,740	267,310
Unrestricted	146,896	(2,866,476)
<b>Total Net position</b>	<u>\$221,636</u>	<u>(\$2,599,166)</u>

**MT. ORAB PORT AUTHORITY  
BROWN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)**

For fiscal year 2014, the only operating revenues received were from billboard rent but the Port Authority did report a receivable of \$39,650 for development costs in 2013 and 2014 that was received during 2015. The Port Authority also received funds from the land lease to the Mt. Orab Auto Mall Group. The Port Authority reported the Brown County Commission donated land as an asset in 2014. The property was under option for sale in 2014 and therefore reported as an asset. In 2015, the Port Authority received a donation of a 0.60 acre parcel for marketing and resale.

The liabilities increased in fiscal year 2015 with the issuance of the lease revenue bonds and the tax incremental financing revenue bonds. Both bonds were issued in the Port Authority's name but are backed by other sources meaning the Port Authority's balance sheet is not obligated for repayment beyond what is received. As of part of that issuance, the Port Authority had agreements to receive long term payments (lease or TIF revenue) to service the bonds.

**Table 2 - Changes in Net position**

	<u>2014</u>	<u>2015</u>
<b>Operating Revenues:</b>		
Administrative Fees	\$4,800	\$1,500
Reimbursements	0	6,350
Interest	0	110
<b>Total Operating Revenues</b>	<u>4,800</u>	<u>7,960</u>
<b>Operating Expenses:</b>		
Christmas Parade	2,500	2,500
Travel and Meals	0	250
Development Costs	1,670	4,955
Accounting	773	1,426
Legal Fees	0	2,577
Property Taxes	2,223	3,858
Other General Admin	569	170
Insurance	186	186
Intergovernmental	0	686,579
<b>Total Operating Expenses</b>	<u>7,921</u>	<u>702,501</u>
<b>Operating (Loss)</b>	<u>(3,121)</u>	<u>(694,541)</u>

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
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**Table 2 - Changes in Net position (continued)**

	2014	2015
<b>Nonoperating Revenues:</b>		
Interest	\$34	\$963
Proceeds from sale of assets	0	947,932
Donation of assets	0	192,570
Interest expense	0	(274,982)
Capital distributions	0	(2,434,668)
Capital grants	74,740	0
Cost of issuances	0	(558,076)
Total Nonoperating Revenues (Expenses)	74,774	(2,126,261)
Change in Net position	71,653	(2,820,802)
Net position, Beginning of Year	149,983	221,636
Net position, End of Year	\$221,636	(\$2,599,166)

The Port Authority was more active during 2015 finalizing the Mt. Orab Auto Mall project. During 2014, the Port Authority focused mainly on moving the sale of the 29.89 acres forward and having discussions on several other projects that did not materialize. The capital grant in 2014 relates to the county auditor appraised value of the 29.89 acres the Port Authority received. During 2015, the Port Authority was able to sell a portion of this acreage which generated the \$947,932 above and also allowed the repayment to the Brown County Commission, which is reported in intergovernmental expense. The project has drawn down just over \$2.4 million of the bond proceeds for the construction.

**Capital Assets**

The Port Authority reports \$267,310 in capital assets at December 31, 2015. For more information on the Port Authority's capital assets refer to note 4 of the basic financial statements.

**Debt**

The Port Authority had two debt issuances outstanding at December 31, 2015. The Port Authority also had the conduit debt issued on behalf of American Trailer Works. See notes 6 and 8 of the basic financial statements for additional information.

**MT. ORAB PORT AUTHORITY  
BROWN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015  
(UNAUDITED)**

**Contacting the Port Authority**

This financial report is designed to provide a general overview of the finances of the Mt. Orab Port Authority and to show the Port Authority's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Mt. Orab Port Authority, 750 South High Street, Mt. Orab, Ohio 45154 (937) 444-4141.

**MT. ORAB PORT AUTHORITY  
BROWN COUNTY, OHIO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

**ASSETS:**

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 406,525
Restricted Cash and Cash Equivalents	10,852,561
TOTAL CURRENT ASSETS	11,259,086

LONG TERM ASSETS:

Lease Receivable - Mt. Orab Auto Mall	21,058,078
Intergovernmental Receivable - Mt. Orab Auto Mall	8,326,284
Capital Assets - Land held for Resale	267,310
TOTAL LONG TERM ASSETS	29,651,672

TOTAL ASSETS	40,910,758
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**LIABILITIES:**

CURRENT LIABILITIES:

Accounts Payable	6,238
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LONG TERM LIABILITIES:

TIF Revenue Bonds	3,230,309
Lease Revenue Bonds	10,889,015
TOTAL LONG TERM LIABILITIES:	14,119,324

TOTAL LIABILITIES	14,125,562
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**DEFERRED INFLOWS FOR RESOURCES:**

Lease/TIF Receivable	29,384,362
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**NET POSITION:**

Net Investment in Capital Assets	267,310
Unrestricted	(2,866,476)

TOTAL NET POSITION	\$ (2,599,166)
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See accompanying notes to the basic financial statements

**MT. ORAB PORT AUTHORITY  
BROWN COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**OPERATING REVENUES:**

Administrative Fees	\$ 1,500
Reimbursements	6,350
Interest	110
	<hr/>
Total Operating Revenues	\$ 7,960

**OPERATING EXPENSES:**

Christmas Parade	2,500
Travel and Meals	250
Insurance	186
Development Costs	4,955
Accounting	1,426
Legal	2,577
Property Taxes	3,858
Other General Administration	170
Intergovernmental	686,579
	<hr/>
Total Operating Expenses	702,501
	<hr/>
Operating Loss	(694,541)

**NONOPERATING REVENUES (EXPENSES):**

Restricted Interest	963
Proceeds from sale of assets	947,932
Donation of assets	192,570
Interest Expense	(274,982)
Capital Distributions	(2,434,668)
Cost of Issuance	(558,076)
	<hr/>
Total Nonoperating Revenues (Expenses)	(2,126,261)

**CHANGE IN NET POSITION**

	(2,820,802)
Net Position Beginning of Year	221,636
Net Position End of Year	<u>\$ (2,599,166)</u>

See accompanying notes to the basic financial statements

**MT. ORAB PORT AUTHORITY  
BROWN COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Cash flows from operating activities:**

Cash received from customers	\$ 1,500
Cash payments to supplier for goods and services	(10,795)
Cash payments to Brown County and Village of Mt. Orab	(686,579)
Cash received from other sources	46,110
Net cash used for operating activities	<u>(649,764)</u>

**Cash flows from capital related activities:**

Face value from sale of bonds	14,900,000
Discount on the sale of bonds	(780,676)
Proceeds from sale of assets	947,932
Capital distributions for construction project	(2,434,668)
Interest expense	(274,982)
Issuance cost from sale of bonds	(558,076)
Net cash used for capital related activities	<u>11,799,530</u>

**Cash flows from investing activities:**

Interest received	963
Net cash provided by investing activities	<u>963</u>

Net Increase in Cash and Cash Equivalents 11,150,729

Cash and cash equivalents at beginning of year	108,357
Cash and cash equivalents at end of year	<u>\$ 11,259,086</u>

**Reconciliation of operating loss to net cash used for operating activities**

Operating Loss	(694,541)
Adjustments to reconcile operating loss to net cash used for operating activities	
Increase in Accounts Receivable	39,650
Increase in Accounts Payable	5,127
Net cash used for operating activities	<u>\$ (649,764)</u>

Non-cash transactions: LAH Property Enterprises donated 0.60 acres to the Port Authority for development purposes with an appraised value of \$192,570.

See accompanying notes to the basic financial statements

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**1. DESCRIPTION OF THE REPORTING ENTITY**

The Mt. Orab Port Authority, Brown County, Ohio (the "Port Authority") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Mayor of the Village of Mt. Orab appoints three Board Members to direct the Port Authority.

The Port Authority provides services that are enumerated in Sections 4582.31 of the Ohio Revised Code. The services include but are not limited to the power to purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities. The Port Authority was established to promote, develop, and advance the general welfare, commerce, and economic development of Mt. Orab and its citizens.

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all divisions and operations for which the Port Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and able to impose its will on the organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or to impose specific financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Port Authority itself is included in the financial reporting entity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements of Mt. Orab Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Port Authority's accounting policies are described below.

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation**

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

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all asset and all liabilities are included on the statement of net position. Equity (i.e., net position) consists of retained earnings. The statement of revenues, expenses, and change in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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

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

**C. Budgetary Data**

Ohio Revised Code Section 4582.39 requires the port authority to annually prepare a budget.

The Mt. Orab Port Authority's annual budget, as provided by law, is prepared on the cash basis of accounting. The budget includes amounts for current year revenues and expenses.

The Mt. Orab Port Authority maintains budgetary control by not permitting total capital expenditures and accounts charges to individual expense categories to exceed their respective appropriations without an amendment of appropriations by the Board of Directors.

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

For the fiscal year 2015 budget, the Port Authority did certify beginning balances; certify revenue available for appropriation; and adopt appropriations within available resources and present an approved fiscal year budget during the February 2015 Board meeting.

**D. Cash and Cash Equivalents**

Cash balances of the Port Authority, except cash held by the fiscal agent and restricted cash, are pooled and invested in short-term investments in order to provide improved cash management. Investment income credit to the General Fund during 2015 was \$110 with the restricted cash trust account receiving \$963.

During 2015, investments were limited to money market mutual funds. Investments are reported at fair value which is based on quoted market prices.

For purposes of the statement of cash flows and for presentation on the statement of net position, the Port Authority's cash management pool and investments with original maturities of three months or less are considered to be cash equivalents. Investments, not part of the cash management pool, with an initial maturity of more than three months are reported as investments.

**E. Organizational Costs**

Organization costs were expensed during the fiscal year as the Port Authority incurred minimal expenses in organizing and would be considered immaterial to capitalize and amortize over a forty year period.

**F. Operating and Non-Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly at the Port Authority's primary mission. For the Port Authority, there was operating revenues during 2015 as the Port Authority did receive semi-annual rent payments on billboards and project reimbursements. Operating expenses are necessary costs incurred to support the Port Authority's primary mission.

Non-operating revenues and expenses are those that are not generated directly by the Port Authority's primary mission. Various state grants, local government contributions, interest income and expenses comprise the non-operating revenues and expenses of the Port Authority. The Port Authority received 0.60 acres for redevelopment purposes during the year. The county auditor appraised value is reported as a non-operating contribution. The Port Authority also issued two different set of bonds during the year in relation to the car dealership development on the 29+ acres the Port Authority owns.

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Capital assets and depreciation**

The accounting and reporting treatment applied to capital assets is determined by the ultimate use. Capital assets include two different parcels held of resale. The Port Authority has no capital asset policy.

**H. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the statement of net position.

**I. Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as revenue until that time.

Deferred inflows of resources relates to amounts received from the Mt. Orab Auto Mall or Village of Mt. Orab TIF revenue for debt service payment associated with the two debt obligations are reported on the statement of net position.

**J. Net Position**

Net position represents the difference between assets and liabilities. Net position of net investment in capital assets consist of capital assets, net of accumulated depreciation and net of related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**K. Conduit Debt Financing**

One of the Port Authority's main functions is to provide Mt. Orab companies and organizations with the ability to issue debt at a tax exempt rate. The company may use the Port Authority's tax exempt status for such offerings by issuing conduit revenue bonds backed by reimbursement agreements with the Port Authority and trustee.

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. 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 financial statements and accompanying notes. Actual results may differ from those estimates.

**3. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Port Authority as:

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

**Deposits**

At fiscal year-end, the carrying value of the Port Authority's deposits was \$406,525 and the bank balance was \$479,856. \$323,331 of the bank balance was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$156,525 of the deposits were exposed to custodial credit risk.

The Port Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Port Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of December 31, 2015, the Port Authority had \$10,852,561 invested in money market mutual funds that carries a credit rating of S& P – AAAm.

**MT. ORAB PORT AUTHORITY  
BROWN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2015, was as follows:

	<u>Balance 12/31/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2015</u>
Land held for resale	\$74,740	\$192,570	\$0	\$267,310

**5. RISK MANAGEMENT**

The Port Authority is covered by Ohio Casualty Insurance Company for fidelity bonds at \$50,000 for Mr. Cierley and Mr. Wallace. There is no general liability coverage.

**6. CONDUIT DEBT PAYABLE**

The Port Authority has issued debt obligations on behalf of the American Trailer Works, Inc. for the purpose of constructing a new building and related machinery and equipment. Regional Hospital's Atrium Facility along Interstate 75 and the refinancing of outstanding This bond and the interest thereon do not constitute debt or liability by the Port Authority, Village of Mt. Orab, Brown County or the State of Ohio, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. The Port Authority issued a \$3,400,000 Ohio Enterprise Bond Fund issue on December 5, 2011. As of June 30, 2015 (latest available information) the outstanding balance was \$2,430,000. The Port Authority has no obligation to repay the outstanding balance.

**7. LEASE RECEIVABLE**

The Port Authority enters into various financing arrangements for the purpose of funding the construction of facilities that are leased to private and public companies. Financing lease agreements with the companies provide for leasing payments sufficient to fund the related debt issued by the Port Authority and other costs and expenses related to the project. The leases are non-cancelable until the underlying debt and any related charges are paid in full. Lease payments cover a minimum of the principal and interest payments on the debt as they become due. Lease arrangements allow the lessee an option to purchase the leased facility at the termination of the lease. All expenses related to the debt and operation and maintenance of the leased facilities are the responsibility of the lessee.

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**7. LEASE RECEIVABLE (continued)**

The Port Authority has no responsibility for the repayment of any of the debt issued for the construction of the leased facilities if the resources provided by the underlying lease are insufficient to pay the obligation. All lease payments and debt retirement payments are administered and flow through accounts of the Port Authority and are recognized in the accompanying statements.

**8. LONG TERM OBLIGATIONS**

In the current year, the Port Authority was involved with Mt. Orab Auto Mall project. As part of the Port Authority's participation, the project issued two different bond issues during the year.

On August 17, 2015, \$11,415,000 in lease revenue bonds were issued. The developer is fully responsible for making the respective lease payments on the bonds. These bonds were issued at interest rates ranging from 5.75% to 6.75% with a final maturity on December 31, 2036.

On August 17, 2015, \$3,485,000 in tax increment financing revenue bonds were issued. These bonds will be paid through a payment in lieu of taxes directed to the Village of Mt. Orab, who will deposit the funds necessary to make the payments. These bonds were issued at 6.25% rate with a final maturity of December 31, 2045.

Changes in long-term obligations during 2015 were as follows:

	Balance 12/31/14	Increase	Decrease	Balance 12/31/15	Due within one year
Lease Revenue Bonds – 2015	\$0	\$11,415,000	\$0	\$11,415,000	\$0
Discount	0	(525,985)	0	(525,985)	0
TIF Revenue Bonds – 2015	0	3,485,000	0	3,485,000	0
Discount	0	(254,691)	0	(254,691)	0
<b>Total</b>	<b>\$0</b>	<b>\$14,119,324</b>	<b>\$0</b>	<b>\$14,119,324</b>	<b>\$0</b>

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**8. LONG TERM BOND PAYABLES (continued)**

Lease Revenue Bonds			
Years	Principal	Interest	Total
2016	\$0	\$720,488	\$720,488
2017	310,000	720,486	1,030,486
2018	330,000	702,662	1,032,662
2019	350,000	683,688	1,033,688
2020	370,000	663,562	1,033,562
2021-2025	2,185,000	2,973,388	5,158,388
2026-2030	2,915,000	2,242,274	5,157,274
2031-2035	3,990,000	1,169,098	5,159,098
2036	965,000	65,136	1,030,136
Totals	<u>\$11,415,000</u>	<u>\$9,940,782</u>	<u>\$21,355,782</u>

TIF Revenue Bonds			
Years	Principal	Interest	Total
2016	\$0	\$231,374	\$231,374
2017	20,000	231,376	251,376
2018	25,000	230,124	255,124
2019	35,000	228,562	253,562
2020	25,000	227,000	252,000
2021-2025	220,000	1,102,812	1,322,812
2026-2030	375,000	1,015,936	1,390,936
2031-2035	585,000	871,050	1,456,050
2066-2040	895,000	643,224	1,538,224
2041-2045	1,315,000	291,200	1,606,200
Totals	<u>\$3,485,000</u>	<u>\$5,072,658</u>	<u>\$8,557,658</u>

**MT. ORAB PORT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**9. CURRENT YEAR PROJECTS**

Brown County land transfer

During 2013, the Brown County Commissioners transferred approximately thirty acres of land along State Route 32 to the Port Authority. The Port Authority received the land to market for job growth and increase the tax base for the County.

During 2014, the property was under option for purchase by Tom Williams for two car dealerships. In February 2015, the Board of Trustees met to pass a declaration of intent to reimburse for costs incurred related to public infrastructure and water/waste water construction needed to provide access to the property.

During 2015, the Port Authority entered into a lease for the Mt. Orab Auto Mall development. The Port Authority issued two bond issues (See Note 7) to help finance the improvements.

**10. CHANGE IN ACCOUNTING PRINCIPLES**

The Port Authority implemented the following GASB statements during fiscal year 2015:

- GASB 68 Accounting and Financial Reporting for Pension
- GASB 71 Pension Transition for Contributions made Subsequent to the Measurement Date
- GASB 72 Fair Value Measurement and Application
- GASB 73 Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

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# Dave Yost • Auditor of State

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

Mt. Orab Port Authority  
Brown County  
211 High Street  
PO Box 466  
Mt. Orab, Ohio 45154

To the Board of Directors:

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 business-type activities of the Mt. Orab Port Authority, Brown County, Ohio (the Port Authority) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated February 12, 2018.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Port 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 Port 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 Port 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

**Compliance and Other Matters**

As part of reasonably assuring whether the Port 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*.

Port Authority's **Response to Findings**

The Port Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Port Authority's response and, accordingly, we express no opinion on it.

**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 Entity's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 12, 2018

**MT. ORAB PORT AUTHORITY  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Material Weakness**

The Port Authority management is responsible for preparing and fairly presenting their financial statements as required by Section 117-2-03 of the Ohio Administrative Code; this includes designing, implementing, and maintaining internal controls relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to error or fraud.

We identified the following conditions related to the Port Authority's 2015 financial statements:

- In July 2015, the Port Authority cashed in two certificates of deposit (CD's) and moved the \$73,331 in principal and interest to the Port Authority's checking account. The Port Authority had already recorded the interest as it was earned, and then erroneously recorded this transaction as Reimbursement revenue, which overstated revenue on the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows and overstated the Cash and Cash Equivalents balance on the Statement of Net Position as of December 31, 2015.
- The Port Authority failed to record the following transaction related to financing for the Mt. Orab Auto Mall that occurred in 2015: increase to Leases Receivable by \$21,058,078, increase to Tax Increment Financing (TIF)/Intergovernmental Receivable by \$8,326,284 and an increase to Deferred Inflows of \$29,384,362.

The Port Authority has corrected the 2015 financial statements and accounting records where appropriate.

Lack of internal controls over accounting and financial reporting increases the risk that errors, theft, or fraud could occur and not be detected in a timely manner. To ensure accuracy in the financial reporting process, we recommend that the Port Authority implement procedures for making sure that all transactions, assets and liabilities of the Port Authority are accurately reported in their accounting records and financial statements.

**Officials' Response:**

The Port Authority initially posted the certificates of deposits maturing as other revenue but after review later in 2016 it was determined that it wasn't revenue and a prior period adjustment was posted and corrected in 2016. Since we are completing a two year audit cycle we have correctly posted the entry in 2015. The Port Authority did not receive statements related to the certificates of deposits which resulted in the inaccurate posting.

The Port Authority did not have final project documents when the 2015 report was submitted. After additional review later in 2016 it was determined that the Port Authority should book the receivables and deferred inflows related to the project. Similar to the above issues, the Port Authority had corrected the beginning 2016 balances for this and then corrected the 2015 during the audit.

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# Dave Yost • Auditor of State

**MT ORAB PORT AUTHORITY**

**BROWN 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  
MARCH 1, 2018**