

**WARREN COUNTY PORT AUTHORITY  
WARREN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

*(AUDITED)*

*FOR THE YEAR ENDED  
DECEMBER 31, 2017*





# Dave Yost • Auditor of State

Board of Directors  
Warren County Port Authority  
406 Justice Drive  
Lebanon, Ohio 45036

We have reviewed the *Independent Auditor's Report* of the Warren County Port Authority, Warren County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. 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 Warren County Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 22, 2018

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**WARREN COUNTY PORT AUTHORITY  
WARREN COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

Warren County Port Authority  
Warren County  
406 Justice Drive  
Suite 301  
Lebanon, Ohio 45036

To the Board of Directors:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Warren County Port Authority, Warren County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Warren County 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 Warren County 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 Warren County Port Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Warren County Port Authority, Warren County, Ohio, as of December 31, 2017, and the changes in its financial position and its cash flows for the year 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 May 30, 2018, on our consideration of the Warren County 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 Warren County Port Authority's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
May 30, 2018



**WARREN COUNTY PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**  
**(UNAUDITED)**

The discussion and analysis of the Warren County Port Authority's (the "Port Authority") financial performance provides an overall review of the financial activities as of and for the year ended December 31, 2017. 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 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 2017 are as follows:

- 2017 provided the Port Authority with \$370,598 (up from \$241,191 for fiscal year 2016) in current year recognized administrative fees and rental income from projects. Twenty-two percent of the fee was derived from the sales tax agreement for Delaware North that will be recognized over a ten year period at \$80,000 annually. The Port Authority was also involved in several other projects during the year that brought in additional cash support. The largest transactions were from lease transactions with IDI on two new buildings located in the Park North development for over \$413,000.
- The ending cash and cash equivalents balance was \$2,215,165, which is an increase from the 2016 ending balance of \$1,546,196. The Board designated \$796,685 of those funds to evaluate development options.
- Operating expenses were \$586,065, which is up from the 2016 amount of \$461,704. Intergovernmental expenses included payments to the City of Monroe relative to the Cincinnati Premium Outlets project and annual administrative cost paid to Warren County.
- The VH Monroe Special Assessment and Cincinnati Premium Outlets projects reported a combined \$1,544,758 in tax increment revenue. This revenue is the underlying revenue source to repay the debt obligations.
- The Port Authority issued over \$15M in debt related to the new sports complex being built in 2018 in the western part of the county.

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**Using this Financial Report**

This financial report contains the basic financial statements of the Port Authority, as well as the MD&A and notes to the basic financial statements. The basic financial statements include a statement of net position, a 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 fund presentation information are the same.

**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, deferred outflows of resources 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):

**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 borrowings 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 "Investment in Capital Assets" or "Restricted Net Position".

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Table 1 provides a comparison of the Port Authority's net position for 2016 and 2017.

**Table 1 - Net Position**

	2016	2017
<b>Assets:</b>		
Current assets	\$4,075,789	\$20,797,109
Intergovernmental receivable – long term	13,875,000	12,690,000
Depreciable capital assets, net	2,059,965	1,997,540
Total Assets	<u>20,010,754</u>	<u>35,484,649</u>
<b>Deferred Outflows of Resources</b>	<u>0</u>	<u>1,127,647</u>
<b>Liabilities:</b>		
Current liabilities	567,256	1,572,626
Long-term liabilities	14,783,514	30,663,615
Total Liabilities	<u>15,350,770</u>	<u>32,236,241</u>
<b>Net Position:</b>		
Investment in Capital Assets	2,059,965	1,997,540
Restricted for Debt Service	2,117,800	2,027,207
Restricted for Capital Projects	14,376	14,989,215
Unrestricted	467,843	(14,637,907)
Total Net Position	<u>\$4,659,984</u>	<u>\$4,376,055</u>

The Port Authority saw significant changes in 2017. The Port Authority is the project implementer for Convention and Visitor's Bureau sports complex. The Port Authority issued \$15.7 million in bonds for the project with the majority of the proceeds reported at restricted cash and restricted for capital purposes at year end. The Port Authority also refinanced two outstanding bonds to take advantage of the lower interest rates and the new Internal Revenue Service laws regarding advance refundings. The advance refundings did result in over \$1.1 million in deferred charges that will be amortized over the remaining life of the new bonds.

The current liabilities jumped up significantly because of the amounts due on the three outstanding bonds issuances (\$1.19 million) for the Port Authority compared to prior years.

**WARREN COUNTY PORT AUTHORITY**  
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Table 2 compares the changes in net position for the years 2016 and 2017.

**Table 2 - Changes in Net Position**

	2016	2017
<b>Operating Revenues:</b>		
Administrative Fees and Rental	\$241,191	\$390,173
Interest and Other Revenues	2,692	20,011
Total Operating Revenues	<u>243,883</u>	<u>410,184</u>
<b>Operating Expenses:</b>		
Legal fees	71,201	83,900
Accounting and Auditing	10,988	5,355
Professional Services	53,966	68,500
Other General Administration	44,991	118,655
Insurance	3,932	7,814
Intergovernmental	214,201	239,416
Depreciation	62,425	62,425
Total Operating Expenses	<u>461,704</u>	<u>586,065</u>
Operating (Loss)	<u>(217,821)</u>	<u>(175,881)</u>
<b>Nonoperating Revenues (Expenses):</b>		
Interest Revenue	9,032	44,336
Local Contributions - nonoperating	1,233,346	2,429,444
Payments on behalf of others	(10,634)	0
Issuance costs	0	(958,212)
Interest and Trustee Expenses	(1,002,075)	(1,623,617)
Total Nonoperating Revenues (Expenses)	<u>229,669</u>	<u>(108,048)</u>
Change in Net Position	11,848	(283,929)
Net Position, Beginning of Year	4,648,136	4,659,984
Net Position, End of Year	<u>\$4,659,984</u>	<u>\$4,376,055</u>

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As stated earlier, the Port Authority saw administrative fee activity increase compared to the prior year as the Port Authority received fees from several different projects in fiscal year 2017. The Port Authority also recognizes one-tenth of the cash fee received in fiscal year 2013 from the Miami Valley Gaming project as well as partial recognition of several other projects completed before 2017, which accounts for \$207,309 of the 2017 admin fees reported. Although for reporting purposes the Port Authority defers the administrative fees over the life of the agreement, the cash is available for operating purposes upon receipt of the funds. The Port Authority received \$835,570 on a cash basis for administrative fees.

The Port Authority's expenses increased in fiscal year 2017. Intergovernmental expenses were higher in 2016 due to activity with the City of Monroe relative to the Cincinnati Premium Outlets project. The Port Authority also continues to pay an annual administrative fee to Warren County for use of the economic development department. Additional expenses throughout the other line items were incurred as the project activity increased.

### **Capital Assets and Debt**

The Port Authority recognized net land improvements of \$1,997,540 as of December 31, 2017. For more information on the Port Authority's depreciable capital assets, net, see Note 4. The Port Authority retired \$270,000 on the Cincinnati Premium Outlets public improvements bonds and refunded \$3.2 million of those bonds. The Port Authority also refunded the 2008 Park North bonds and issued \$15.7 million for the new sports complex. For more information on the Port Authority's debt, see Note 6.

### **Economic Impact**

Although the Port Authority has no tax basis on which to draw revenues, the Port Authority has positioned itself as a viable option to assist Warren County business and even some businesses outside of Warren County with agreements to provide assistance in Preble and Darke counties. The Port Authority has several financing options that assist in development of projects including the sales tax exemption possibility. The Port Authority will continue to evaluate projects to insure they are producing consistent revenue to cover any obligations the Port Authority is associated with in the future. The Port Authority has assisted small businesses by hosting the Warren County SBDC and creating 120 jobs, retaining 123 jobs, starting 18 new businesses for \$5,200,000 in capital impact and also through advocacy efforts of the Warren County Chamber Alliance for calendar year 2017. This allows the Port Authority to be full circle in its' efforts to serve large and small businesses within southwest Ohio.

**WARREN COUNTY PORT AUTHORITY  
WARREN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(UNAUDITED)**

**Contacting the Port Authority**

This financial report is designed to provide a general overview of the finances of the Warren County 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: Warren County Port Authority, 406 Justice Drive, Lebanon, Ohio 45036 or by calling (513) 695-2090.

**WARREN COUNTY PORT AUTHORITY  
WARREN COUNTY, OHIO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

**ASSETS:**

<b>CURRENT ASSETS:</b>	
Cash and Cash Equivalents	\$ 2,215,165
Restricted Cash and Cash Equivalents	17,374,165
Accounts Receivable	5,761
Accrued Interest Receivable	17,018
Intergovernmental Receivable	1,185,000
<b>TOTAL CURRENT ASSETS</b>	<b>20,797,109</b>
 <b>NONCURRENT ASSETS:</b>	
Intergovernmental Receivable	12,690,000
Depreciable Capital Assets, Net	1,997,540
<b>TOTAL NONCURRENT ASSETS</b>	<b>14,687,540</b>
 <b>TOTAL ASSETS</b>	 <b>35,484,649</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Charges on Bond Refundings	1,127,647
	<u>1,127,647</u>

**LIABILITIES:**

<b>CURRENT LIABILITIES:</b>	
Accounts Payable	69,788
Accrued Interest Payable	95,122
Amounts Held for Others	23,303
Unearned Revenue - Short Term	199,413
Special Obligation Bonds - Due in One Year	1,185,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,572,626</b>
 <b>LONG TERM LIABILITIES:</b>	
Unearned Revenue - Long Term	1,328,284
Special Obligation Bonds	29,335,331
<b>TOTAL LONG TERM LIABILITIES</b>	<b>30,663,615</b>
 <b>TOTAL LIABILITIES</b>	 <b>32,236,241</b>

**NET POSITION:**

Investment in Capital Assets	1,997,540
Restricted for Debt Service	2,027,207
Restricted for Capital Projects	14,989,215
Unrestricted	(14,637,907)
<b>TOTAL NET POSITION</b>	<b>\$ 4,376,055</b>

See accompanying notes to the financial statements

**WARREN COUNTY PORT AUTHORITY  
WARREN COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**OPERATING REVENUES:**

Administrative Fees	\$	370,598
Rental Income		19,575
Other Revenues		<u>20,011</u>
Total Operating Revenues		<u>410,184</u>

**OPERATING EXPENSES:**

Insurance		7,814
Legal Fees		83,900
Accounting and Auditing		5,355
Professional Services		68,500
Other General Administration		118,655
Intergovernmental		239,416
Depreciation		<u>62,425</u>
Total Operating Expenses		<u>586,065</u>
Operating Loss		<u>(175,881)</u>

**NONOPERATING REVENUES (EXPENSES):**

Interest Revenue		44,336
Local Contributions - nonoperating		2,429,445
Issuance costs		(958,212)
Interest and Trustee Expenses		<u>(1,623,617)</u>
Nonoperating Expenses, Net		<u>(108,048)</u>

**CHANGE IN NET POSITION**

		(283,929)
Net Position, Beginning of Year		<u>4,659,984</u>
Net Position, End of Year	\$	<u><u>4,376,055</u></u>

See accompanying notes to the financial statements



**WARREN COUNTY PORT AUTHORITY  
WARREN COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Cash flows from operating activities:**

Cash received from customers	\$ 855,145
Cash received from SBDC and Chamber Alliance members	152,700
Cash payments to supplier for goods and services	(187,225)
Cash payments to local governments for project and other related costs	(285,942)
Cash paid on behalf of SBDC and Chamber Alliance	(178,823)
Other miscellaneous revenue	16,161
Net cash provided by operating activities	<u>372,016</u>

**Cash flows from noncapital financing activities:**

Local Contributions	<u>2,093,445</u>
Net cash provided by noncapital financing activities	<u>2,093,445</u>

**Cash Flows from capital and related financing activities:**

Face Value from the Sale of Project Improvement Bonds	30,520,000
Discount on the Sale of Project Improvement Bonds	(574,669)
Principal Paid on Project Improvement Bonds	(270,000)
Payment for the cost of issuance	(845,212)
Payment to Escrow Agent	(14,427,647)
Issuance Costs and Interest Paid on All Debt	(1,111,748)
Net cash provided by capital and related financing activities	<u>13,290,724</u>

**Cash flows from investing activities:**

Net Interest received	<u>27,356</u>
Net cash provided by investing activities	<u>27,356</u>

Net Increase in Cash and Cash Equivalents 15,783,541

Cash and cash equivalents at beginning of year	<u>3,805,789</u>
Cash and cash equivalents at end of year	<u>\$ 19,589,330</u>

**Reconciliation of operating loss to net cash provided by operating activities**

Operating Loss	\$ (175,881)
Depreciation	62,425
Adjustments to reconcile operating loss to net cash provided by operating activities	
Increase in Accounts Receivable	(5,761)
Increase in Accounts Payable	39,873
Decrease in Amounts Held for Others	(26,123)
Increase in Unearned Revenue	477,483
Net cash provided by operating activities	<u>\$ 372,016</u>

See accompanying notes to the financial statements

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**WARREN COUNTY PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**1. DESCRIPTION OF THE REPORTING ENTITY**

The Warren County Port Authority (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 Port Authority was established in February 2007 pursuant to section 4582.22 of the Ohio Revised Code by resolution of Warren County. The seven voting member Board of Directors directs the Port Authority.

The Port Authority provides services that are enumerated in Sections 4582.21 to 4582.29 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 accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus: an Amendment of GASB Statements No. 14 and 34*, in that the financial statements include all divisions and operations for which the Port Authority is financially accountable. Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization’s governing board; and (1) the Port Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Port Authority is legally entitled to or can otherwise assume the responsibility to finance the deficits of, or provide financial support to, the organizations; or the Port Authority is obligated for the debt of the organization. Component units may also include organizations for which the Port Authority authorizes the issuance of debt or the levying of taxes, or determines the budget. 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 Warren County 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 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.

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**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 assets 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 changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in 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 4582.13 requires that the Port Authority annually prepare a budget. No further approvals or actions are required under Section 4582.13 of the Ohio Revised Code.

**D. Cash and Cash Equivalents**

The Port Authority maintains a cash management program whereby cash is deposited with a banking institution in Warren County. The agreements restrict activity to certain deposits. These deposits are stated at cost which approximates fair value. Investment procedures are restricted by the provisions of the Ohio Revised Code.

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

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with original maturities of three months or less and funds within the cash management pool are considered to be cash equivalents. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. During fiscal year 2017, the Port Authority invested in money market funds U.S Treasury bills and federal agency securities. Except for the money market fund, investments are reported at fair value which is based on the fund's quoted market prices. For investments in money market funds, the fair value is determined by the fund's current share price.

Interest revenue earned during 2017 was \$44,336.

**E. Restricted Cash/Amounts Held for Others**

The Port Authority holds various deposits in trust, in accordance with the provision of its bond agreements, to fund debt service requirements and certain capital projects. The balance held in restricted cash accounts is \$17,337,999 as of December 31, 2017.

The Port Authority holds funds for third party entities for which the Port Authority functions as the finance department. These funds are those of the third party entities and are recorded as a restricted asset and corresponding liability on the Port Authority's financial statements. The amount held by the Port Authority as of December 31, 2017 was \$36,166.

**F. Capital Assets**

Capital assets generally result from expenses related to construction projects. These assets are reported on the statement of net position. All capital assets are reported at cost (or estimated historical cost) and updated for additions and deletions during the year. The Port Authority capitalizes improvements related to construction projects as construction in progress. The Port Authority depreciates land improvements on a straight-line basis over a forty year period. The Port Authority has no capital asset policy and has no other reported capital assets.

**G. Intergovernmental Receivable**

Receivables on the Port Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable systematic method of determining their existence, completeness, valuation and collectibility. The Port Authority did have an intergovernmental receivable as of December 31, 2017, from the City of Monroe in connection with the special assessment assigned the VH Monroe project as collateral to pay the Port Authority's public improvement bonds.

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

**H. Operating and Nonoperating Revenues and Expenses**

Operating revenues are those revenues that are generated directly by the Port Authority's primary mission. For the Port Authority, operating revenues include intergovernmental contributions (nothing received in current year) to fund operations or administrative fees earned in connection with the projects. Operating expenses are necessary costs incurred to support the Port Authority's primary mission, including depreciation.

Nonoperating revenues and expenses are those that are not generated directly by the Port Authority's primary mission. Local government contributions, interest income, bond issuance costs and expenses comprise the nonoperating revenues and expenses of the Port Authority.

**I. Accrued Liabilities**

In general, payables and accrued liabilities are reported as obligations regardless of whether they will be liquidated with current resources. Long-term debt amounts are reported as a liability on the statement of net position.

**J. Deferred Charge on Bond Refunding**

For bond refundings resulting in the defeasance of debt reported in the financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred outflow of resources on the statement of net position.

**K. Net Position**

Net position represents the difference between assets, deferred outflow of resources and liabilities. 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 position is available.

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

**L. Unearned Revenue**

The Port Authority reports administrative fees earned initially on a project as unearned revenue for future periods if the Port Authority has a lease agreement with the respective company. The unearned revenue reported for fiscal year 2017 consists of administrative fees earned in current and prior fiscal years amortized over the remaining life of the lease agreements.

**M. Estimates and Uncertainties**

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

**N. Subsequent Events**

The Port Authority has evaluated subsequent events for potential recognition and disclosure through May 30, 2018, the date of this report.

**3. DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits determined to be necessary to meet current demands upon 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.

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

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

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**3. DEPOSITS AND INVESTMENTS (continued)**

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

- United States 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;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days; and
- Bond and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
- The State Treasurer's investment pool (STAR Ohio).
- Certain banker's acceptances and commercial paper notes in an amount not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
- Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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



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**3. DEPOSITS AND INVESTMENTS (continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits**

At fiscal year end, the carrying value of the Port Authority's deposits was \$2,240,831 and the bank balance was \$2,273,951. \$250,000 of the Port Authority's deposits was insured by federal depository insurance with the remaining \$2,023,951 being collateralized by the bank.

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 two percent of the deposits being secured.

**Investments**

As of December 31, 2017, the Port Authority had the following investments:

	<u>Fair Value</u>	<u>Using</u>	<u>Maturity</u>	<u>Rating</u>	<u>Credit Risk</u>
U.S Treasury Bills	\$9,900,801	Level 2	0.64	AAAm	57.07%
Federal National Mortgage Notes	1,491,728	Level 2	1.09	AAA	8.60%
Federal Home Loan Bank Bonds	3,533,571	Level 2	0.60	AAA	20.36%
Money Market Account	2,422,399	Level 1	0.10	AAAm	13.97%
Totals	<u>\$17,348,499</u>				

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**3. DEPOSITS AND INVESTMENTS (continued)**

*Fair Value Measurement* - Fair value as defined by GASB Statement No. 72 requires the City to apply valuation techniques that best represent fair value in the circumstances-market approach, cost approach and income approach. The following are the levels for which inputs can be measured. Level 1 – quoted prices (unadjusted) in active markets for identical assets/liabilities (most reliable); Level 2 – quoted prices for similar assets/liabilities, quoted price for identical assets/liabilities or similar assets/liabilities in markets that are not active, or other quoted prices that are observable; and Level 3 – unobservable inputs (least reliable).

*Interest Rate Risk* - The Port Authority has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Port Authority, and that an investment must be purchased with the expectation that it will be held to maturity.

*Credit Risk* - The Port Authority has no investment policy that would further limit its investment choices.

*Custodial Credit Risk* - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk* - The Port Authority places no limit on the amount it may invest in any one issuer.

**4. CAPITAL ASSETS**

A summary of the changes in capital assets during the year ended December 31, 2017, follows:

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Capital Assets, being depreciated				
Land Improvements – Retention Pond	\$2,496,940	\$0	\$0	\$2,496,940
Accumulated Depreciation	(436,975)	(62,425)	0	(499,400)
Capital Assets, Net	<u>\$2,059,965</u>	<u>(\$62,425)</u>	<u>\$0</u>	<u>\$1,997,540</u>

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**5. RISK MANAGEMENT**

The Port Authority is covered by public official liability insurance with Cincinnati Indemnity Company. Coverage with a private carrier provides bonding, liability insurance on the \$1,000,000 maximum per claim and in aggregate. There is no general liability coverage as the Port Authority does not maintain a separate place of business or have employees to insure although the Port Authority does pick up specific insurance coverage for events or locations through the Cincinnati Indemnity Company.

Settled claims have not exceeded commercial insurance coverage in any of the past three years and there was no significant change in insurance coverage from the prior year.

**6. LONG-TERM OBLIGATIONS**

A summary of the changes in long-term obligations during the year ended December 31, 2017 follows:

	<b>Balance 12/31/2016</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance 12/31/2017</b>	<b>Due within one year</b>
1 - Project Improvement Bonds	\$10,000,000	\$0	\$10,000,000	\$0	\$0
1 - Refunded Project Improvement Bonds	0	11,185,000	0	11,185,000	445,000
Discount on Refunded Bonds	0	(337,228)	0	(337,228)	0
2 - Special Obligations Bonds	4,145,000	0	3,570,000	575,000	280,000
2 - Refunded Special Obligations Bonds	0	3,600,000	0	3,600,000	50,000
3- Revenue Special Obligation Bonds	0	15,735,000	0	15,735,000	410,000
Discount on Revenue Bonds	0	(237,441)	0	(237,441)	0
<b>Total</b>	<b>\$14,145,000</b>	<b>\$29,945,331</b>	<b>\$13,570,000</b>	<b>\$30,520,331</b>	<b>\$1,185,000</b>

- 1- The project improvement bonds were issued at an interest rate between 7.00 and 7.50 percent on September 24, 2008. The debt was issued for the purpose of constructing street improvements, utilities and a storm water control system in a commercial development. The bonds were refunded in November 2017. The net proceeds of \$10,929,590 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2008 project improvement bonds are considered defeased and the liability for those bonds has been removed from the statement of net position

The reacquisition price exceeded the net carrying amount of the old debt by \$81,818. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The Port Authority advanced the refunding bonds to reduce its total debt service payments by \$2,492,178 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,402,948.

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**6. LONG-TERM OBLIGATIONS (Continued)**

- 2- The special obligation bonds were issued at an interest rate between 3.00 and 5.125 percent on May 27, 2009. The debt was issued for the purpose of constructing street improvements around a new retail development in the western portion of Warren County. The bonds were refunded in November 2017. The net proceeds of \$3,498,665 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2009 special obligations bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$13,665. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The Port Authority advanced the refunding bonds to reduce its total debt service payments by \$322,457 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$261,843.

- 3- The revenue special obligation bonds were issued at a fixed interest rate of 3.36 percent on September 29, 2017. The debt was issued for the purpose of constructing a sports complex along State Route 741 in western Warren County. The bonds payments are backed by the hotel tax in Warren County collected through the Convention and Visitor's Bureau.

The following are schedules of future debt service requirements to maturity as of December 31, 2017:

Project Improvement Bonds – 1			
Years	Principal	Interest	Total
2018	\$445,000	\$475,984	\$920,984
2019	490,000	429,600	919,600
2020	515,000	410,000	925,000
2021	535,000	389,400	924,400
2022	555,000	368,000	923,000
2023-2027	3,115,000	1,488,800	4,603,800
2028-2032	3,795,000	814,000	4,609,000
2033-2034	1,735,000	104,800	1,839,800
Totals	\$11,185,000	\$4,480,584	\$15,665,584

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**6. LONG-TERM OBLIGATIONS (Continued)**

Special Obligation Bonds – 2			
Years	Principal	Interest	Total
2018	\$330,000	\$116,239	\$446,239
2019	340,000	109,721	449,721
2020	350,000	96,388	446,388
2021	355,000	86,762	441,762
2022	365,000	77,000	442,000
2023-2027	2,000,000	228,111	2,228,111
2028	435,000	11,962	446,962
Totals	\$4,175,000	\$726,183	\$4,901,183

Revenue Special Improvement Bonds – 3			
Years	Principal	Interest	Total
2018	\$410,000	\$528,696	\$938,696
2019	425,000	514,920	939,920
2020	440,000	500,640	940,640
2021	455,000	485,856	940,856
2022	470,000	470,568	940,568
2023-2027	2,595,000	2,105,376	4,700,376
2028-2032	3,070,000	1,638,336	4,708,336
2033-2037	3,610,000	1,087,464	4,697,464
2038-2042	4,260,000	438,984	4,698,984
Totals	\$15,735,000	\$7,770,840	\$23,505,840

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**7. PROJECTS**

VH Monroe Special Assessment Project

The Port Authority has worked with the City of Monroe and VH Monroe (now owned by Industrial Development International or “IDI”) to partner with the parties to provide assistance to the project through a special assessment note and bond issuance that occurred in 2008 (the “Project”). The Project provides for ten large commercial/industrial buildings on the western edge of Warren County in the City of Monroe referred to Park North as IDI at Monroe. The Project is located on the southeastern corner of State Route 63 and Interstate 75. Through 201, there have been nine buildings constructed for a total of over 5.8 million square feet of building space. The Port Authority’s role was necessary to help move the Project forward allowing the retention pond and some other public infrastructure to be completed by the developer. The Project is located in a tax increment financing district and Community Reinvestment Act (CRA) area for the City of Monroe. The City of Monroe has pledged the special assessment receipts as part of the collateral to pay the Port Authority’s future debt service obligations. Based on an initial analysis done, the Port Authority is expected to receive \$19,969,200 in contributions from the City of Monroe for this Project from those receipts. The intergovernmental receivable will be reduced by the annual payments although the special assessment receipts could vary since they are certified annually based on expected payments in lieu of taxes for each year.

Cincinnati Premium Outlets

The Port Authority has worked with the City of Monroe and Chelsea Properties to provide financing on the local infrastructure improvements around the Cincinnati Premium Outlets Center (the Center) and some of the connecting roadways. The Center opened in the fall of 2009 and has provided Warren County with substantial new retail development for the area. The Center is located on the southeastern corner of State Route 63 and Interstate 75. The Port Authority’s role was necessary to help finance the project as the City of Monroe had implemented a special assessment for the project and needed the Port Authority to issue the debt for the project. The project was backed financially by tax increment financing, then the special assessment payments and then the general obligation of the City of Monroe.

E-Beam Services

The Port Authority worked with E-Beam Services to help facilitate the use of economic recovery zone facility bonds for the building expansion and related equipment needs. The conduit debt financing closed on August 31, 2010 for \$6,500,000, with \$4,225,000 outstanding as of December 31, 2017. The project is completely backed and secured through E-Beam Services and merely reported as a conduit debt issued through the Port Authority.

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**7. PROJECTS (continued)**

Setzer Properties LLC (Federal Express)

In 2012, the Port Authority worked with Setzer Properties LLC (Setzer) to facilitate the construction and equipping of a 178,000 square foot distribution facility to be located in Warren County. Under the terms of the agreement, the Port Authority entered into a ground lease and project lease with Setzer, under which Setzer is responsible for obtaining financing and completing the construction of the building. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to Setzer. Under this lease, Setzer will make rental payments of \$4,000 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. Additionally, Setzer will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Setzer will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Delaware North

In 2013, the Port Authority worked with Delaware North to facilitate the financing and construction of a 188,000 square foot live horse racing and slot machine facility located on State Route 63 in Warren County. Under the terms of the agreement, the Port Authority entered into a ground lease and project lease with Delaware North, under which Delaware North is responsible for obtaining financing and completing the construction of the building. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to Delaware North. Under this lease, Miami Valley Gaming will make rental payments of \$1,000 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. Miami Valley Gaming also made an upfront payment to the Port Authority of \$800,000. This amount will be recognized as revenue by the Port Authority, ratably, over the term of the lease. Additionally, Delaware North will continue to be responsible for all maintenance and upkeep on the facilities, As a result, Delaware North recorded the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income. In 2014, the Warren County Commission entered into a Development Agreement with the Port Authority to administer the tax increment finance funds in relation to the project.

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**7. PROJECTS (continued)**

Pratt Industries

In 2013, the Port Authority entered into an agreement with Preble County to help finance the building structure for Pratt Industries (Pratt). Pratt selected Lewisburg for a state-of-the-art facility that will house its division, Lewisburg Corrugating. Under the terms of the agreement, the Port Authority entered into a ground lease and project lease with Pratt, under which Pratt is responsible for obtaining financing and completing the construction of the building. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to Pratt. Under this lease, Pratt will make rental payments of \$2,000 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. The Port Authority received an upfront payment of \$20,000 that will be recognized ratably over the life of the lease. Additionally, Pratt will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Pratt will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Industrial Developments International, Inc.

In 2013, the Port Authority entered into an agreement with Industrial Developments International, Inc. (IDI) to help finance and construct building #9 at the business park in the City of Monroe located in Warren County. Under the terms of the agreement, the Port Authority entered into a ground lease and project lease with IDI, under which IDI is responsible for obtaining financing and completing the construction of the building. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to IDI. Under this lease, IDI will make rental payments of \$3,000 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. The Port Authority received an upfront payment of \$30,000 that will be recognized ratably over the life of the lease. Additionally, IDI will continue to be responsible for all maintenance and upkeep on the facilities. As a result, IDI will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income. During 2016, IDI amended the lease for a second time that generated an additional \$6,000.



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**7. PROJECTS (continued)**

During 2015, the Port Authority entered into an agreement with IDI to help finance and construct buildings #4 (mainly 430,000 squared feet in tenant improvements) and #8 (a 993,000 squared foot spec building). The terms of the lease agreements were materially similar to building #9. The Port Authority received an upfront payment of \$137,622 that will be recognized ratably over the life of the lease.

During 2016, the Port Authority entered into an agreement with IDI to help finance and construct building #5 (a 143,664 squared foot spec building). The terms of the lease agreements were materially similar to building #9. The Port Authority received an upfront payment of \$30,000 that will be recognized ratably over the life of the lease.

During 2017, the Port Authority entered into an agreements with IDI to help finance and construct buildings #6 and #10 (a 755,911 squared foot spec building and a 1,299,794 squared foot spec building). The terms of the lease agreements were materially similar to buildings #5 and #9. The Port Authority received upfront payments of \$413,625 that will be recognized ratably over the life of the lease.

Advics Manufacturing

In 2014, the Port Authority entered into an agreement with Advics Manufacturing (Advics) to acquire title to structures and other site improvements to be located on the Project Site consisting of two additions to existing manufacturing facilities, namely an approximately 65,000 square foot expansion of the CPD plant, which produces electronic stability control components, into bays 1-34 and 8, as well as an approximately 18,000 square foot expansion of the disk brake caliper plant into docks C and D. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to Advics. Under this lease, Advics will make rental payments of \$500 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. The Port Authority received upfront payments of \$31,000 that will be recognized ratably over the life of the lease. Additionally, Advics will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Advics will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

During 2015, the Port Authority entered into two amendments with Advics to expand the Project by installing approximately 16,000 square foot addition and then another 144,000 square foot expansion to support the Project. The Port Authority received upfront payments of \$65,903 that will be recognized ratably over the remaining life of the lease.

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**7. PROJECTS (continued)**

Henny Penny Corporation

In 2014, the Port Authority entered into an agreement with Henny Penny Corporation (Henny Penny) to acquire title to structures and other site improvements to be located on the Project Site consisting of primarily a 45,500 square foot office and manufacturing facility. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to Henny Penny. Under this lease, Henny Penny will make rental payments of \$1,000 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. Both amounts have been prepaid as of December 31, 2014. The Port Authority received upfront payments of \$18,084 that will be recognized ratably over the life of the lease. Additionally, Henny Penny will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Henny Penny will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

During 2017, Henny Penny entered into an agreement with the Port Authority to improve approximately a 10,000 square foot lobby. The Port Authority received upfront payments of \$10,875 that will be recognized ratably over the life of the lease.

Ralph J Stolle Countryside YMCA

In 2014, the Port Authority entered into an agreement with the Ralph J Stolle Countryside YMCA to issue conduit debt financing which closed on June 30, 2014, for \$8,800,000 with \$8,331,844 outstanding at December 31, 2016. The proceeds were used to remodel the facility and make the functionality and flow of the facility more appropriate to their members' needs.

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**7. PROJECTS (continued)**

London Computer Systems Project

During 2015, the Port Authority entered into an agreement with DND Ventures, LLC to issue conduit debt financing which closed on April 1, 2015 for \$10,000,000 in Taxable Economic Development Revenue Bonds and \$825,000 in Taxable Economic Development Revenue Bonds. The two issues have \$10,825,000 outstanding at December 31, 2015 with initial principal payments starting in May 2016. The proceeds were used to finance the costs of acquiring, constructing, installing, and equipping an approximately 75,000 square foot commercial office building together with all the appurtenances. The Port received up front payments of \$80,750 which was originally amortized over a sixteen year life of the issuance. During August 2016, Deerfield Township contributed \$825,000 to redeem the Series B bonds after the Company took occupancy of the building. The balance of the Series A bonds at December 31, 2017 was \$0. The balance of the unearned revenue was recognized in 2017.

AK Steel Project

During 2015, the Port Authority entered into an agreement with the City of Middletown to acquire title to a structure and other site improvements to be located on approximately 16 acres consisting primarily of an approximately 135,140 square foot facility for the purpose of research and development or other office or industrial use and approximately 150 parking spaces in support of the project. The Port Authority entered into a lease with Fortress Credit Corporation for eighteen years. Fortress Credit Corporation pays \$2,500 each year as rent on project. The Port Authority received upfront payments of \$127,000 that will be recognized ratably over the life of the lease. Additionally, AK Steel will continue to be responsible for all maintenance and upkeep on the facilities. As a result, AK Steel will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

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**7. PROJECTS (continued)**

Arbor Square Investments (SMB&P Project)

During 2015, the Port Authority entered into a capital lease financing structure in order to refinance the debt on the office building of Schroeder, Maundrell, Barbieri & Powers, a law firm located in Mason, Ohio (“SMB&P”). The Port Authority issued taxable lease revenue bonds in the amount of \$3,645,000 to cover the cost of acquiring the two-story office building and a leasehold interest in the 2.051 acres of real property on which the building sits (the “Project”). These lease revenue bonds will be marketed for private placement by First Southwest Company, LLC for a period of between three and five weeks (exclusive of weeks with holidays). The Port Authority entered into a 25 year capital lease with Arbor Square Investments, LLC, to service the debt on the bonds. The Port Authority received upfront payments of \$20,000 that were recognized during 2015. Additionally, Arbor Square Investments will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Arbor Square Investments will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Bishop Fenwick School (School)

During 2015, the Port Authority issued \$8,000,000 aggregate principal amount of its Development Revenue Refunding Bonds as of July 1, 2015 for the purpose of making a loan of the proceeds thereof to the School to provide funds to refund a portion of the outstanding principal amount of the City of Middletown, Ohio Adjustable Rate Demand Development Revenue Bonds, Series 2003, which Refunded Bonds were issued in the original principal amount of \$12,250,000 and the proceeds of which Refunded Bonds were used to provide for the acquisition, construction, equipping, and improvement of Bishop Fenwick High School located as 4855 State Route 122, Franklin, Ohio 45005. The Port Authority received principal payments of \$529,263 during 2017 leaving a balance of \$6,807,933 at December 31, 2017. Additionally, Bishop Fenwick School will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Bishop Fenwick School will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

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**7. PROJECTS (continued)**

Victory Wholesale

During 2016, the Port Authority issued \$600,000 aggregate principal amount Economic Development Notes as of September 2016 for the purpose of assisting the City of Springboro in providing an incentive to Brothers Trading Company, Inc. (Company) to expand its operations in the City by constructing, equipping and operating a new two-hundred fifty-five square foot warehouse and distribution facility. The Port Authority received payments of \$55,125 that are recognized over the six year term of the notes. The Port Authority provided a sales tax exemption to reduce the overall cost of construction on the project. Additionally, Company will continue to be responsible for all maintenance and upkeep on the facilities. As a result, the Company will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Lebanon Citizen's National Bank

During 2016, the Port Authority entered into ground leasing financing structure in order to assist in the construction and equipping of a 48,525 square foot office and headquarters for Lebanon Citizen's National Bank (Bank). The Port Authority provided a sales tax exemption to reduce the cost of constructing the three-story office building and received a leasehold interest in the 2.360 acres of real property on which the building sits (the "Project"). The Port Authority received upfront payments of \$64,152 that is amortized over the life of the lease. Additionally, the Bank will continue to be responsible for all maintenance and upkeep on the facilities. As a result, the Bank will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Hopkins Commons

During 2017, the Port Authority entered into a 10 year lease with Hopkins Development, LLC in order to construct primarily a senior independent living facility with approximately 127 market rate apartments including a senior center to include meeting and activity rooms, offices and a restaurant. The Port Authority received upfront payments of \$86,000 that were recognized during 2017. Additionally, Hopkins Development will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Hopkins Development will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

**WARREN COUNTY PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
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**DECEMBER 31, 2017**

**7. PROJECTS (continued)**

Warren County Sports Complex

On September 29, 2017, the Port Authority issued \$15,735,000 in connection with the Warren County Convention and Visitor's Bureau (the "CVB") sport complex project (the "Complex"). Warren County pledged an additional one-percent hotel tax along with the remaining three-percent hotel tax as a secondary pledge as revenue to repay the debt service on the bonds. The Port Authority owns fee title to the site on which the Complex is located, and the Port Authority leases the Complex to the CVB pursuant to a 99 year lease. The CVB is responsible for maintaining and operating the Complex, which is expected to be partially open in the fall of 2018 with the remaining grass fields open in 2019. The Complex is located north of State Route 63 along State Route 741. During 2017, the Port Authority received \$278,686 in hotel lodging tax for the project.

**8. INTERGOVERNMENTAL RECEIVABLE**

In closing projects relating to the VH Monroe and Chelsea Properties, and City of Monroe, via various agreements, the City of Monroe implicitly guaranteed the \$15,600,000 in project improvements and special obligations held by the Port Authority, resulting in a due from the City of Monroe for a corresponding amount. The balance due from the City of Monroe as of December 31, 2017 was \$13,875,000.

**9. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2017, the Port Authority implemented the following Governmental Accounting Standards Board (GASB) Statements that no impact of the beginning net position:

GASB Statement No. 81 "Irrevocable Split-Interest Agreements". The Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Port Authority.

**10. SUBSEQUENT EVENTS**

During the normal course of business, the Port Authority has entered into various agreements with private developers and other organizations to foster economic development within Warren County and the surrounding region.

**WARREN COUNTY PORT AUTHORITY**  
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**10. SUBSEQUENT EVENTS (continued)**

During 2018, the Port Authority created a bond fund to provide an additional financing alternative for projects. The bond fund is backed by a letter of credit from Huntington Bank. The Port Authority refinanced a portion of the 2017 Warren County Sport Complex revenue special obligation bonds as the first bond issuance through the bond fund.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Warren County Port Authority  
Warren County  
406 Justice Drive  
Suite 301  
Lebanon, Ohio 45036

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 Warren County Port Authority, Warren County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Warren County Port Authority's basic financial statements and have issued our report thereon dated May 30, 2018.

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

As part of our financial statement audit, we considered the Warren County 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 Warren County 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 Warren County 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.



Board of Directors  
Warren County Port Authority

***Compliance and Other Matters***

As part of reasonably assuring whether the Warren County 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*.

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

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

Julian & Grube, Inc.  
May 30, 2018

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# Dave Yost • Auditor of State

**WARREN COUNTY PORT AUTHORITY**

**WARREN 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  
JULY 5, 2018**