



OHIO AUDITOR OF STATE
KEITH FABER



**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY
DECEMBER 31, 2022 AND 2021**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis – For the Year Ended December 31, 2022	5
Basic Financial Statements:	
Statement of Net Position For the Year Ended December 31, 2022	9
Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2022	10
Statement of Cash Flows For the Year Ended December 31, 2022	11
Notes to the Basic Financial Statements- For the Year Ended December 31, 2022	12
Management's Discussion and Analysis- For the Year Ended December 31, 2021	21
Statement of Net Position For the Year Ended December 31, 2021	25
Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2021	26
Statement of Cash Flows For the Year Ended December 31, 2021	27
Notes to the Basic Financial Statements- For the Year Ended December 31, 2021	28
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	37
Schedule of Findings.....	39
Prepared by Management:	
Summary Schedule of Prior Audit Findings	41

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

Southwest Ohio Regional Development Authority
Brown County
750 South High Street
Mt. Orab, Ohio 45154

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Southwest Ohio Regional Development Authority, Brown County, Ohio (Authority), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Ohio Regional Development Authority, Brown County, Ohio as of December 31, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2024, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
February 23, 2024

This page intentionally left blank.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022
(UNAUDITED)***

The discussion and analysis of the Southwest Ohio Regional Development Authority, Brown County, Ohio (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2022. 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 2022 are as follows:

- The Port Authority finished 2022 with \$153,909 in cash and cash equivalents, which is a decrease of \$3,160 from 2021.
- The Port Authority saw total operating expenses of \$7,111 as the Port Authority saw little activity occurring during the fiscal year.
- The Port Authority still reports the lease payments and related debt service on the financial statements as the activity runs through the trust accounts. During the year, the developer retired the conduit lease revenue bonds and took over ownership of the parcel of land held by the Port Authority.

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.

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022
(UNAUDITED)**

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 2021 and 2022.

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets	\$482,069	\$1,079,092
Capital assets	0	74,740
Total Assets	<u>482,069</u>	<u>1,153,832</u>
Liabilities:		
Current liabilities	<u>0</u>	<u>9,053</u>
Net position:		
Net Investment in Capital Assets	0	74,740
Restricted	328,161	922,023
Unrestricted	<u>153,908</u>	<u>148,016</u>
Total Net position	<u>\$482,069</u>	<u>\$1,144,779</u>

The unrestricted cash decreased as the only revenues were an annual fee on the Jungle Jim’s project and small payment from American Trailer works at the end of the conduit term. The restricted cash decreased as the debt service reserve account was transferred to the escrow agent for the defeasance of the conduit lease revenue bonds.

SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022
(UNAUDITED)

	2022	2021
Operating Revenues:		
Administrative Fee	\$10,100	\$10,000
Interest	31	34
Miscellaneous	312	81
Total Operating Revenues	10,443	10,115
Operating Expenses:		
Christmas Parade/Summer Fest	2,000	2,500
Development Costs	4,135	17,816
Accounting/Auditing	969	13,087
Other General Admin	7	948
Insurance	0	3,460
Total Operating Expenses	7,111	37,811
Operating Income (Loss)	3,332	(27,696)
Nonoperating Revenues (Expenses):		
Interest and trustee expenses	(537,295)	(873,225)
Loss on disposal of assets	(72,179)	0
Payment to Escrow Agent	(5,614,988)	0
Developer Contributions	4,981,992	0
Principal payments	(40,000)	(425,000)
Lease payments	564,102	1,248,837
Interest	3,520	287
Intergovernmental revenue	48,806	49,388
Total Nonoperating Revenues (Expenses)	(666,042)	287
Change in Net position	(662,710)	(27,409)
Net position, Beginning of Year	1,144,779	1,172,188
Net position, End of Year	\$482,069	\$1,144,779

The Auto Mall made lease payments during both years but also contributed to the defeasance of the lease revenue bonds in fiscal year 2022. The Village collected the intergovernmental revenue (Village TIF revenue) on the project which was provided as a revenue source on the bond repayment. The developer also contributed additional funds to make up for the shortfall in Village TIF revenue. The development costs went down as the activity on the mega site property is nearing completion with several major approvals occurring or pending.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022
(UNAUDITED)***

Capital Assets

The Port Authority does not report capital assets at December 31, 2022 as the only asset was removed during the fiscal year. For more information on the Port Authority's capital assets refer to note 4 of the basic financial statements.

Debt

The Port Authority has two conduit debt issuances outstanding during fiscal year 2022. The issues are backed by lease or tif revenue with no obligation of the Port Authority's operating income. See note 6 of the basic financial statements for additional information.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Southwest Ohio Regional Development 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: Southwest Ohio Regional Development Authority, 211 South High Street, Mt. Orab, Ohio 45154, (937) 444-4141.

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 153,909
Restricted Cash and Cash Equivalents	<u>328,160</u>

TOTAL ASSETS	<u><u>482,069</u></u>
--------------	-----------------------

LIABILITIES:

TOTAL LIABILITIES	<u>-</u>
-------------------	----------

NET POSITION:

Restricted	328,161
Unrestricted	<u>153,908</u>

TOTAL NET POSITION	<u><u>\$ 482,069</u></u>
--------------------	--------------------------

See accompanying notes to the basic financial statements

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022**

OPERATING REVENUES:

Administrative Fees	\$	10,100
Interest		31
Other Revenues		312
		312
Total Operating Revenues		10,443

OPERATING EXPENSES:

Christmas Parade/Summer Fest		2,000
Development Costs		4,135
Accounting/Auditing		969
Other General Administration		7
		7
Total Operating Expenses		7,111
Operating Income		3,332

NONOPERATING REVENUES (EXPENSES):

Restricted Interest		3,520
Net Loss on Sale of Land Held for Resale		(72,179)
Lease Payments Revenues		564,102
Payment to Escrow Agent		(5,614,988)
Intergovernmental Revenues		48,806
Interest and Trustee Expenses		(537,295)
Developer Contributions		4,981,992
Principal Payments		(40,000)
		(40,000)
Total Nonoperating Revenues (Expenses)		(666,042)

CHANGE IN NET POSITION

		(662,710)
Net Position Beginning of Year		1,144,779
Net Position End of Year	\$	482,069

See accompanying notes to the basic financial statements

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Cash flows from operating activities:

Cash received from customers	\$ 10,100
Cash payments to supplier for goods and services	(13,603)
Cash received from other sources	343
Net cash used for operating activities	<u>(3,160)</u>

Cash flows from capital related activities:

Lease Payments	564,102
Intergovernmental revenues	48,806
Capital grants from developer to pay off bonds	4,981,992
Payment to Escrow Agent	(5,614,988)
Interest and Trustee expenses	(537,295)
Principal paid on bonds	(40,000)
Net cash used for capital related activities	<u>(597,383)</u>

Cash flows from investing activities:

Interest received	3,520
Net cash provided by investing activities	<u>3,520</u>

Net Decrease in Cash and Cash Equivalents (597,023)

Cash and cash equivalents at beginning of year	1,079,092
Cash and cash equivalents at end of year	<u>\$ 482,069</u>

Reconciliation of operating income to net cash used for operating activities

Operating Income	3,332
Adjustments to reconcile operating income to net cash used for operating activities	
Decrease in Accounts Payable	(6,492)
Net cash used for operating activities	<u>\$ (3,160)</u>

See accompanying notes to the basic financial statements

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022***

1. DESCRIPTION OF THE REPORTING ENTITY

The Southwest Ohio Regional Development Authority (formerly 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* and GASB Statement No. 97 “Certain Component Unit Criteria, and accounting and financial reporting for Internal Revenue Code Section 457 Deferred Compensation Plans”, 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 the 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.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022***

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 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 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.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022***

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 enterprise fund during 2022 was \$31 with the restricted cash trust account receiving \$3,520.

During 2022, 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 operating revenues during 2022 related to operating interest income, administrative fees and other revenues. 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 also issued two different set of conduit 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 and intergovernmental revenue for 2022 in relation to the debt service payments due. During 2022, the developer refunded the lease revenue bonds payable and took over the ownership of the parcel of land held by the Port Authority. The impact of that transaction is reported as non-operating revenues and expenses.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022***

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 in the prior year included one parcel held for resale which was released to the developer during 2022. 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. 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.

J. 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.

K. 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.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022***

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 and bank balance was \$153,909. The entire 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, 2022.

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, 2022, the Port Authority had \$328,160 invested in money market funds that carries a credit rating of S& P – AAAM.

SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2022, was as follows:

	Balance 12/31/2021	Increases	Decreases	Balance 12/31/2022
Land held for resale	\$74,740	\$0	(\$74,740)	\$0

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. Settled claims have not exceeded the Port’s coverage in any of the past three years.

6. CONDUIT DEBT PAYABLE

The Port Authority enters into various conduit financing arrangements for the purpose of funding the construction of facilities that are leased to private and public companies. Conduit financing 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 agreements are non-cancelable until the underlying debt and any related charges are paid in full. Financing payments cover a minimum of the principal and interest payments on the debt as they become due. Financing arrangements allow the lessee an option to purchase the leased facility at the termination of the agreement. All expenses related to the debt and operation and maintenance of the leased facilities are the responsibility of the lessee.

SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. CONDUIT DEBT PAYABLE (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 financing payments and debt retirement payments are administered and flow through accounts of the Port Authority and are recognized in the accompanying statements.

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 April 26, 2022, the developer deposited sufficient funds with the escrow agent to refund the lease revenue bonds. The issue is considered defeased for accounting purposes and the balance held with the trustee is not reported on the financial statements.

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 conduit obligations during 2022 were as follows:

	Balance 12/31/21	Increase	Decrease	Balance 12/31/22
Lease Revenue Bonds – 2015	\$9,665,000	\$0	\$9,665,000	\$0
TIF Revenue Bonds – 2015	3,355,000	0	40,000	3,315,000
Total	\$13,020,000	\$0	\$9,705,000	\$3,315,000

7. CURRENT YEAR PROJECTS

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 6) to help finance the improvements. At the end of 2022, the development had five different auto brands located on site that employed an average of 54 people.

During 2021, the Port Authority continued working on the mega site environmental work and historical evaluation for formal certification during fiscal year 2022. The site comprises 1145 acres and it one of three sites listed a mega site in Ohio.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022***

8. COVID 19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the Port Authority. The impact on the Port Authority's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

The Port Authority's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

This page intentionally left blank.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(UNAUDITED)***

The discussion and analysis of the Southwest Ohio Regional Development Authority, Brown County, Ohio (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2021. 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 2021 are as follows:

- The Port Authority finished 2021 with \$157,069 in cash and cash equivalents, which is a decrease of \$21,019 from 2020.
- The Port Authority saw total operating expenses of \$37,811 as the Port Authority is working on finalizing the mega site certification and had the two year audit.
- The Port Authority still reports the lease payments and related debt service on the financial statements as the activity runs through the trust accounts. The related asset and liabilities have been removed under GASB Statement No. 91 reporting.

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.

SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(UNAUDITED)

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 2020 and 2021.

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets	\$1,079,092	\$1,099,824
Capital assets	74,740	74,740
Total Assets	<u>1,153,832</u>	<u>1,174,564</u>
Liabilities:		
Current liabilities	<u>9,053</u>	<u>2,376</u>
Net position:		
Net Investment in Capital Assets	74,740	74,740
Restricted	922,023	921,736
Unrestricted	148,016	175,712
Total Net position	<u><u>\$1,144,779</u></u>	<u><u>\$1,172,188</u></u>

The unrestricted cash decreased as the only revenue was an annual fee on the Jungle Jim’s project. The restricted cash increased with the small amount of interest earned on the reserves.

SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(UNAUDITED)

	2021	2020
Operating Revenues:		
Administrative Fee	\$10,000	\$10,000
Interest	34	40
Miscellaneous	81	2,534
Total Operating Revenues	10,115	12,574
Operating Expenses:		
Christmas Parade/Summer Fest	2,500	2,500
Development Costs	17,816	1,275
Accounting/Auditing	13,087	937
Other General Admin	948	4,012
Insurance	3,460	1,648
Total Operating Expenses	37,811	10,372
Operating Income (Loss)	(27,696)	2,202
Nonoperating Revenues (Expenses):		
Interest and trustee expenses	(873,225)	(895,563)
Principal payments	(425,000)	(395,000)
Lease payments	1,248,837	1,223,570
Interest	287	3,887
Intergovernmental revenue	49,388	52,656
Total Nonoperating Revenues (Expenses)	287	(10,450)
Change in Net position	(27,409)	(8,248)
Net position, Beginning of Year	1,172,188	(11,984,131)
Restatement	0	13,164,567
Net position, End of Year	\$1,144,779	\$1,172,188

The Auto Mall made lease payments during both years. The Village collected the intergovernmental revenue (Village TIF revenue) on the project which was provided as a revenue source on the bond repayment. The developer also contributed additional funds to make up for the shortfall in Village TIF revenue. The development costs went down as the activity on the mega site property is nearing completion with several major approvals occurring or pending.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(UNAUDITED)***

Capital Assets

The Port Authority reports \$74,740 in capital assets at December 31, 2021. For more information on the Port Authority's capital assets refer to note 4 of the basic financial statements.

Debt

The Port Authority has three conduit debt issuances outstanding during fiscal year 2021. Two issues are backed by lease or tif revenue with no obligation of the Port Authority's operating income. The Port Authority also had the conduit debt issued on behalf of American Trailer Works, which was retired during the fiscal year. See note 6 of the basic financial statements for additional information.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Southwest Ohio Regional Development 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: Southwest Ohio Regional Development Authority, 211 South High Street, Mt. Orab, Ohio 45154, (937) 444-4141.

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 157,069
Restricted Cash and Cash Equivalents	922,023
TOTAL CURRENT ASSETS	1,079,092

LONG TERM ASSETS:

Capital Assets - Land held for Resale	74,740
TOTAL LONG TERM ASSETS	74,740

TOTAL ASSETS	1,153,832
--------------	-----------

LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	9,053
------------------	-------

TOTAL LIABILITIES	9,053
-------------------	-------

NET POSITION:

Net Investment in Capital Assets	74,740
Restricted	922,023
Unrestricted	148,016

TOTAL NET POSITION	\$ 1,144,779
--------------------	--------------

See accompanying notes to the basic financial statements

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021**

OPERATING REVENUES:

Administrative Fees	\$	10,000
Interest		34
Other Revenues		81
		81
Total Operating Revenues		10,115

OPERATING EXPENSES:

Christmas Parade/Summer Fest		2,500
Insurance		3,460
Development Costs		17,816
Accounting/Auditing		13,087
Property Taxes		400
Other General Administration		548
		548
Total Operating Expenses		37,811
Operating Loss		(27,696)

NONOPERATING REVENUES (EXPENSES):

Restricted Interest		287
Lease Payments Revenues		1,248,837
Intergovernmental Revenue		49,388
Interest and Trustee Expenses		(873,225)
Principal Payments		(425,000)
		(425,000)
Total Nonoperating Revenues (Expenses)		287

CHANGE IN NET POSITION (27,409)

Net Position Beginning of Year		1,172,188
Net Position End of Year	\$	1,144,779

See accompanying notes to the basic financial statements

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Cash flows from operating activities:	
Cash received from customers	\$ 10,000
Cash payments to supplier for goods and services	(31,134)
Cash received from other sources	115
Net cash used for operating activities	<u>(21,019)</u>
 Cash flows from capital related activities:	
Lease Payments	1,248,837
Intergovernmental Revenues	49,388
Interest and Trustee expenses	(873,225)
Principal paid on bonds	<u>(425,000)</u>
Net cash used for capital related activities	<u>-</u>
 Cash flows from investing activities:	
Interest received	<u>287</u>
Net cash provided by investing activities	<u>287</u>
 Net Decrease in Cash and Cash Equivalents	 (20,732)
 Cash and cash equivalents at beginning of year	 <u>1,099,824</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,079,092</u></u>
 Reconciliation of operating loss to net cash used for operating activities	
Operating Loss	(27,696)
Adjustments to reconcile operating loss to net cash used for operating activities	
Increase in Accounts Payable	<u>6,677</u>
Net cash used for operating activities	<u><u>\$ (21,019)</u></u>

See accompanying notes to the basic financial statements

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021***

1. DESCRIPTION OF THE REPORTING ENTITY

The Southwest Ohio Regional Development Authority (formerly 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 the 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.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021***

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 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 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.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021***

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 enterprise fund during 2021 was \$34 with the restricted cash trust account receiving \$287.

During 2021, 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 operating revenues during 2021 related to operating interest income, administrative fees and other revenues. 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 also issued two different set of conduit 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 and intergovernmental revenue for 2021 in relation to the debt service payments due.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021***

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 for 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. 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.

J. 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.

K. 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.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021***

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 \$157,069 and the bank balance was \$158,881. The entire 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, 2021.

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, 2021, the Port Authority had \$922,023 invested in money market funds that carries a credit rating of S& P – AAAM.

SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2021, was as follows:

	Balance 12/31/2020	Increases	Decreases	Balance 12/31/2021
Land held for resale	\$74,740	\$0	\$0	\$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. Settled claims have not exceeded the Port’s coverage in any of the past three years.

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 December 31, 2021 (latest available information) the bonds were paid off and retired.

The Port Authority enters into various conduit financing arrangements for the purpose of funding the construction of facilities that are leased to private and public companies. Conduit financing 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 agreements are non-cancelable until the underlying debt and any related charges are paid in full. Financing payments cover a minimum of the principal and interest payments on the debt as they become due. Financing arrangements allow the lessee an option to purchase the leased facility at the termination of the agreement. All expenses related to the debt and operation and maintenance of the leased facilities are the responsibility of the lessee.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021***

6. CONDUIT DEBT PAYABLE (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 financing payments and debt retirement payments are administered and flow through accounts of the Port Authority and are recognized in the accompanying statements.

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 conduit obligations during 2021 were as follows:

	Balance 12/31/20	Increase	Decrease	Balance 12/31/21
American Trailer Works - 2011	\$420,000	\$0	\$420,000	\$0
Lease Revenue Bonds – 2015	10,055,000	0	390,000	9,665,000
TIF Revenue Bonds – 2015	3,390,000	0	35,000	3,355,000
Total	<u>\$13,865,000</u>	<u>\$0</u>	<u>\$845,000</u>	<u>\$13,020,000</u>

7. CURRENT YEAR PROJECTS

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 6) to help finance the improvements. At the end of 2021, the development had five different auto brands located on site that employed an average of 54 people.

During 2021, the Port Authority continued working on the mega site environmental work and historical evaluation for formal certification during fiscal year 2021. The site comprises 1145 acres and it one of three sites listed a mega site in Ohio.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021***

8. COVID 19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Port Authority did not receive COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Port Authority. The impact on the Port Authority's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. The Port Authority's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

Southwest Ohio Regional Development Authority
Brown County
750 South High Street
Mt. Orab, Ohio 45154

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Southwest Ohio Regional Development Authority, Brown County, (the Authority) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 23, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of findings. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio
February 23, 2024

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 and 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2022-001

Material Weakness - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Due to deficiencies in the Authority's internal control over financial reporting, the following conditions related to the Authority's 2022 financial statements and accounting records were identified as a result of the Authority incorrectly accounting for the refunding of certain obligations :

- Payment to Escrow Agent was understated by \$375,126.
- Developer Contributions were understated by \$392,995.
- Interest and Trustee Expenses were understated by \$427,870.
- Principal Payments were overstated by \$410,000.
- Intergovernmental Revenues were understated by \$24,403.
- Lease Revenues were overstated by \$24,403.
- 2021 Footnotes ending balances for debt were understated by \$30,000.
- 2022 Footnotes beginning balances for debt were understated by \$30,000 and decreased amounts were understated by \$10,000.

The financial statements and accounting records have been adjusted, where applicable for these errors.

The Authority did not have procedures in place for effective monitoring of the Authority's financial activity, and the accuracy of accounting and financial reporting. It is important that the Board members take an active role in monitoring the posting and reporting of such activity. Failure to accurately post and monitor financial activity increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation. The Authority officials should review the chart of accounts to assure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner. In addition, the Authority officials should review and approve the annual financial statements and footnotes prepared by the Treasurer prior to their filing with the Ohio Auditor of State.

**FINDING NUMBER 2022-001
(Continued)**

Officials' Response:

The Authority agrees with the adjustments above. The adjustment come from a refunding of a lease obligation which was not accounted for correctly. The Authority will ensure the proper classifications if that situation occurs again.

Southwest Ohio Regional Development Authority

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2022 and 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Ohio Rev. Code § 5705.41(B): Expenditures in Excess of Appropriations	Corrected	
2020-002	Material Weakness – Financial Statement Mispostings	Not Corrected	Reissued as Finding 2022-001

OHIO AUDITOR OF STATE KEITH FABER



SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY

BROWN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/21/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov