

**Warren County  
Port Authority**

*Report on Financial Statements*

*For the year ended December 31, 2014*





# Dave Yost • Auditor of State

Board of Directors  
Warren County Port Authority  
406 Justice Drive Suite 305  
Lebanon, OH 45036

We have reviewed the *Independent Auditor's Report* of the Warren County Port Authority, Warren County, prepared by Elliott Davis Decosimo, for the audit period January 1, 2014 through December 31, 2014. 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

August 30, 2016

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# Warren County Port Authority

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## Independent Auditor's Report

To the Board of Directors  
Warren County Port Authority  
Warren County, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Warren County Port Authority, Warren County, Ohio (the "Port Authority") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Warren County Port Authority, Warren County, Ohio as of December 31, 2014, and the respective changes in financial position and its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3–6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016, on our consideration of the Warren County Port Authority, Warren County, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*.



Cincinnati, Ohio  
June 29, 2016

**WARREN COUNTY PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**  
**(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, 2014. 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 2014 are as follows:

- 2014 provided the Port Authority with \$209,886 (up from \$135,655 for fiscal year 2013) in administrative fees and rental income from projects. Forty percent of the fee was derived from a sales tax agreement for Delaware North that will be recognized over a ten year period at \$85,000 annually.
- The operating fund ending cash and cash equivalents balance was \$1,145,654, which is an increase from the 2013 ending balance of \$1,023,951. The Board has designated \$796,819 of those funds to evaluate development options.
- Operating expenses were \$275,910, which is down from the 2013 amount of \$555,369. The decrease is directly attributable to a decrease of approximately \$216,000 from professional services incurred in 2013.
- The VH Monroe Special Assessment and Cincinnati Premium Outlets projects reported a combined \$1,150,598 in tax increment revenue. This revenue is the underlying revenue source to repay the debt obligations.

### **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.

**WARREN COUNTY PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**  
**(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 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 “Net Investment in Capital Assets” or “Restricted Net Position”.

Table 1 provides a comparison of the Port Authority’s net position for 2013 and 2014.

**Table 1 - Net Position**

	<u>2013</u>	<u>2014</u>
<b>Assets:</b>		
Current assets	\$3,428,750	\$3,762,851
Intergovernmental receivable – long term	14,660,000	14,405,000
Depreciable capital assets, net	<u>2,247,240</u>	<u>2,184,815</u>
Total Assets	<u>20,335,990</u>	<u>20,352,666</u>
<b>Liabilities:</b>		
Current liabilities	443,916	530,891
Long-term liabilities	<u>15,340,000</u>	<u>15,039,276</u>
Total Liabilities	<u>15,783,916</u>	<u>15,570,167</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	2,247,240	2,184,815
Restricted for Debt Service	1,974,035	2,177,100
Restricted for Capital Projects	156,095	156,042
Unrestricted	<u>174,704</u>	<u>264,542</u>
Total Net Position	<u>\$4,552,074</u>	<u>\$4,782,499</u>

**WARREN COUNTY PORT AUTHORITY**  
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The Port Authority saw total assets decrease in 2014. The Intergovernmental Receivable was reduced by amounts collected. Capital assets were decreased by the annual depreciation amounts. The Port Authority's debt obligations are secured by several sources that help eliminate the risk associated with not owning the assets. Debt obligations were decreased by the current year payments due. Current liabilities increased by amounts due to Warren County.

Table 2 compares the changes in net position for the years 2013 and 2014.

**Table 2 - Changes in Net Position**

	2013	2014
<b>Operating Revenues:</b>		
Administrative Fees and Rental	\$135,655	\$209,886
Interest and Other Revenues	193,454	86,674
Total Operating Revenues	<u>329,109</u>	<u>296,560</u>
<b>Operating Expenses:</b>		
Legal fees	117,564	35,270
Accounting	4,853	4,250
Professional Services	295,591	55,918
Other General Administration	45,678	34,249
Insurance	4,258	3,798
Intergovernmental	25,000	80,000
Depreciation	62,425	62,425
Total Operating Expenses	<u>555,369</u>	<u>275,910</u>
Operating Income (Loss)	<u>(226,260)</u>	<u>20,650</u>
<b>Nonoperating Revenues (Expenses):</b>		
Interest Revenue	40,622	188
Local Contributions - nonoperating	1,162,334	1,150,598
Interest Expense	(949,259)	(941,011)
Total Nonoperating Revenues (Expenses)	<u>253,697</u>	<u>209,775</u>
Change in Net Position	27,437	230,425
Net Position, Beginning of Year	4,524,637	4,552,074
Net Position, End of Year	<u>\$4,552,074</u>	<u>\$4,782,499</u>

**WARREN COUNTY PORT AUTHORITY**  
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As stated earlier, the Port Authority saw administrative fee activity increase when compared to the prior year as the Port Authority received fees from several different projects in fiscal year 2014 including \$77,000 from the conduit financing of the Countryside YMCA. The Port Authority also recognizes one-tenth of the cash fee received in fiscal year 2013 from the Miami Valley Gaming project. Two of the projects for fiscal year 2014 (Advics and Henny Penny) have ninety percent of the administrative fee deferred until future periods although the cash received is available for operational purposes.

The Port Authority's expenses decreased as the fiscal year 2013 legal fees were significantly higher. The Port Authority also saw an increase in professional services during fiscal year 2013 due to payments relating to the City of Monroe and the Cincinnati Premium Outlets project. In fiscal year 2013, the Port Authority entered into an agreement with Warren County to reimburse the County for use of the economic development department on an annual basis. Starting in 2014, the annual fee was \$50,000, an increase of \$25,000 over 2013 as 2013 was a partial year.

### **Capital Assets and Debt**

The Port Authority recognized net land improvements of \$2,184,815 as of December 31, 2014. For more information on the Port Authority's depreciable capital assets, net, see Note 4. The Port Authority retired \$245,000 on the Cincinnati Premium Outlets public improvements bonds. 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, Darke and Butler 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 94 jobs, retaining 58 jobs, starting 11 new businesses for \$3,124,500 in capital impact and also through advocacy efforts of the Warren County Chamber Alliance. This allows the Port Authority to be full circle in its' efforts to serve large and small businesses within southwest Ohio.

### **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, 2014**

**ASSETS:**

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 1,145,654
Restricted Cash and Cash Equivalents	2,354,854
Accounts Receivable	7,343
Intergovernmental Receivable	255,000
TOTAL CURRENT ASSETS	3,762,851

NONCURRENT ASSETS:

Intergovernmental Receivable	14,405,000
Depreciable Capital Assets, Net	2,184,815
TOTAL NONCURRENT ASSETS	16,589,815

TOTAL ASSETS	20,352,666
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**LIABILITIES:**

CURRENT LIABILITIES:

Accounts Payable	86,005
Accrued Interest Payable	77,809
Amounts Held for Others	22,169
Unearned Revenue - Short Term	89,908
Special Obligation Bonds - Due in One Year	255,000
TOTAL CURRENT LIABILITIES	530,891

LONG TERM LIABILITIES:

Unearned Revenue - Long Term	634,276
Special Obligation Bonds	14,405,000
TOTAL LONG TERM LIABILITIES	15,039,276

TOTAL LIABILITIES	15,570,167
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**NET POSITION:**

Net Investment in Capital Assets	2,184,815
Restricted for Debt Service	2,177,100
Restricted for Capital Projects	156,042
Unrestricted	264,542
TOTAL NET POSITION	\$ 4,782,499

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, 2014**

**OPERATING REVENUES:**

Administrative Fees	\$	202,386
Rental Income		7,500
Interest Revenue		341
Other Revenues		<u>86,333</u>
Total Operating Revenues		<u>296,560</u>

**OPERATING EXPENSES:**

Insurance		3,798
Legal Fees		35,270
Accounting		4,250
Professional Services		55,918
Other General Administration		34,249
Intergovernmental		80,000
Depreciation		<u>62,425</u>
Total Operating Expenses		<u>275,910</u>
Operating Income		<u>20,650</u>

**NONOPERATING REVENUES (EXPENSES):**

Interest Revenue		188
Local Contributions - nonoperating		1,150,598
Interest Expense		<u>(941,011)</u>
Nonoperating Revenues, Net		<u>209,775</u>

**CHANGE IN NET POSITION**

		230,425
Net Position, Beginning of Year		<u>4,552,074</u>
Net Position, End of Year	\$	<u><u>4,782,499</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, 2014**

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 161,727
Cash received from SBDC and Chamber Alliance members	100,192
Cash payments to supplier for goods and services	(202,798)
Cash paid on behalf of SBDC and Chamber Alliance	(108,162)
Other miscellaneous revenue	156,674
Net cash provided by operating activities	<u>107,633</u>
<b>Cash flows from noncapital financing activities:</b>	
Local Contributions	<u>1,395,598</u>
Net cash provided by noncapital financing activities	<u>1,395,598</u>
<b>Cash Flows from capital and related financing activities:</b>	
Principal Paid on Project Improvement Bonds	(245,000)
Interest Paid on All Debt	(941,675)
Net cash used for capital and related financing activities	<u>(1,186,675)</u>
<b>Cash flows from investing activities:</b>	
Net Interest received	<u>202</u>
Net cash provided by investing activities	<u>202</u>
Net Increase in Cash and Cash Equivalents	316,758
Cash and cash equivalents at beginning of year	<u>3,183,750</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,500,508</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating Income	\$ 20,650
Depreciation	62,425
Adjustments to reconcile operating income to net cash provided operating activities	
Increase in Accounts Receivable	(7,343)
Increase in Accounts Payable	80,687
Decrease in Amounts Held for Others	(7,970)
Decrease in Unearned Revenue	<u>(40,816)</u>
Net cash provided by operating activities	<u><u>\$ 107,633</u></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, 2014**

**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.

**WARREN COUNTY PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**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. Non-participating investment contracts, such as certificates of deposit, are reported at cost. During fiscal year 2014, investments were limited to money market mutual funds.

Interest revenue earned during 2014 was \$529.

**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 \$2,332,685 as of December 31, 2014.

The Port Authority holds funds for a 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, 2014 was \$22,169.

**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, 2014, 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.

**WARREN COUNTY PORT AUTHORITY**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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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, administrative fees or rental income 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 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. Net Position**

Net position represents the difference between assets 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.

**K. 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 2014 consists of administrative fees earned in current and prior fiscal years amortized over the remaining life of the lease agreement.

**L. 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.

**WARREN COUNTY PORT AUTHORITY**  
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**DECEMBER 31, 2014**

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

**M. Subsequent Events**

The Port Authority has evaluated subsequent events for potential recognition and disclosure through June 29, 2016, the date the financial statements were available to be issued.

**3. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Port Authority as active deposits which 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 \$1,167,823 and the bank balance was \$1,167,380. \$250,000 of the Port Authority's deposits was insured by federal depository insurance with the remaining \$917,380 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 five percent of the deposits being secured.

**Investments**

As of December 31, 2014, the Port Authority had the following investments:

<u>Categorized Investments</u>	<u>Less than One Year</u>	<u>Credit Rating</u>
Money Market Mutual Funds	\$2,332,685	S&P – AAAM

*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.

**WARREN COUNTY PORT AUTHORITY**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

*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. The Port Authority has all of its investments in Money Market Mutual funds due to the current interest rate environment. This is the only investment of the Port Authority greater than five percent.

**4. CAPITAL ASSETS**

A summary of the changes in capital assets during the year ended December 31, 2014, follows:

	Balance 12/31/2013	Increases	Decreases	Balance 12/31/2014
Capital Assets, being depreciated				
Land Improvements – Retention Pond	\$2,496,940	\$0	\$0	\$2,496,940
Accumulated Depreciation	(249,700)	(62,425)	0	(312,125)
Capital Assets, Net	<u>\$2,247,240</u>	<u>(\$62,425)</u>	<u>\$0</u>	<u>\$2,184,815</u>

**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.

**WARREN COUNTY PORT AUTHORITY**  
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**6. LONG-TERM OBLIGATIONS**

A summary of the changes in long-term obligations during the year ended December 31, 2014 follows:

	<b>Balance 12/31/2013</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance 12/31/2014</b>	<b>Due within one year</b>
Project Improvement Bonds	\$10,000,000	\$0	\$0	\$10,000,000	\$0
Special Obligations Bonds	4,905,000	0	245,000	4,660,000	255,000
<b>Total</b>	<b>\$14,905,000</b>	<b>\$0</b>	<b>\$245,000</b>	<b>\$14,660,000</b>	<b>\$255,000</b>

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 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 following are schedules of future debt service requirements to maturity as of December 31, 2014.

<b>Project Improvement Bonds</b>			
<b>Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$0	\$724,575	\$724,575
2016	0	724,575	724,575
2017	0	724,575	724,575
2018	320,000	724,575	1,044,575
2019	345,000	702,175	1,047,175
2020-2024	2,130,000	3,112,225	5,242,225
2025-2029	2,970,000	2,257,875	5,227,875
2030-2034	4,235,000	998,625	5,233,625
<b>Totals</b>	<b>\$10,000,000</b>	<b>\$9,969,200</b>	<b>\$19,969,200</b>

<b>Special Obligation Bonds</b>			
<b>Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$255,000	\$209,136	\$464,136
2016	260,000	200,212	460,212
2017	270,000	190,462	460,462
2018	280,000	180,472	460,472
2019	295,000	169,552	464,552
2020-2024	1,660,000	647,458	2,307,458
2025-2028	1,640,000	211,724	1,851,724
<b>Totals</b>	<b>\$4,660,000</b>	<b>\$1,809,016</b>	<b>\$6,469,016</b>

**WARREN COUNTY PORT AUTHORITY**  
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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 2014, there have been four buildings constructed for a total of over 2.2 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 \$4,870,000 outstanding as of December 31, 2014. The project is completely backed and secured through E-Beam Services and merely reported as a conduit debt issued through the Port Authority.

**WARREN COUNTY 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 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. During 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.

**WARREN COUNTY PORT AUTHORITY**  
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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.

**WARREN COUNTY PORT AUTHORITY**  
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Advics Manufacturing

During 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.

Henny Penny Corporation

During 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.

Ralph J Stolle Countryside YMCA

During 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. The proceeds were used to remodel the facility and make the functionality and flow of the facility more appropriate to their members' needs.

**WARREN COUNTY PORT AUTHORITY**  
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**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, 2014 was \$14,660,000.

**9. 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.

In March 2015, the Port Authority authorized issuance of \$14,000,000 in revenue bonds to finance the costs of acquiring, constructing, installing, and equipping an approximately 75,000 square foot commercial office building together with all the appurtenances known as the London Computer Systems project. The Port Authority received an initial fee of \$10,000 in fiscal year 2014 related to this project.

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# **Warren County Port Authority**

## ***Report on Internal Control and Compliance***

***For the year ended December 31, 2014***

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# Warren County Port Authority

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

To the Board of Directors:  
Warren County Port Authority  
Warren County, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and the statement of fiduciary assets and liabilities of Warren County Port Authority, Warren County, Ohio (the Port Authority) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated June 29, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Port Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Port Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion 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**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of our testing, and not to provide an opinion on the effectiveness of the 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 Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio  
June 29, 2016

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**Warren County Port Authority**

*Schedule of Findings and Responses*

*December 31, 2014*

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None noted

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**Warren County Port Authority***Schedule of Prior Audit Findings**December 31, 2014*

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<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</u>
2013-001	Accounting for initial payment received related to long-term agreements	Yes	



# 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  
SEPTEMBER 13, 2016**