



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY  
BROWN COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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 Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the 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, 2018 and 2017, and the changes in financial position and its cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the Port Authority's basic financial statements taken as a whole.

The introductory section presents additional analysis and is not a required part of the basic financial statements.

The statements are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

September 20, 2019

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2018**  
**(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, 2018. 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 2018 are as follows:

- The Port Authority finished 2018 with \$225,712 in cash and cash equivalents, which is a decrease of \$130,421 from 2017.
- The Port Authority kept non development expenses low for the fiscal year only expensing \$7,619 with minimal operating revenue for the year.
- The Port Authority recorded \$74,798 in development costs on an accrual basis, which is mainly related to work on the megasite for environmental and other testing.

### **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, 2018**  
**(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 2017 and 2018.

	<u>2018</u>	<u>2017</u>
<b>Assets:</b>		
Current assets	\$1,135,012	\$1,251,449
Long term assets	26,391,930	27,679,716
Capital assets	74,740	74,740
Total Assets	<u>27,601,682</u>	<u>29,005,905</u>
<b>Liabilities:</b>		
Current liabilities	381,506	412,594
Long term liabilities	13,129,486	13,469,405
Total Liabilities	<u>13,510,992</u>	<u>13,881,999</u>
<b>Deferred Inflows of Resources</b>	<u>26,391,930</u>	<u>27,679,716</u>
<b>Net position:</b>		
Net Investment in Capital Assets	74,740	74,740
Unrestricted	<u>(12,375,980)</u>	<u>(12,630,550)</u>
Total Net position	<u><u>(\$12,301,240)</u></u>	<u><u>(\$12,555,810)</u></u>

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2018**  
**(UNAUDITED)**

The current assets decreased as the two cash accounts both dropped. The unrestricted cash dropped with expenses and very little in revenue. The restricted cash dropped as the remaining construction expenses were paid out during the year. The current liabilities decreased as fiscal year 2017 had higher accounts payable as the Port Authority did additional work on the megasite property that were paid in early 2018. Table 2 addresses the changes in net position from 2017 and 2018.

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues:</b>		
Reimbursements	\$0	\$2,950
Interest	134	209
Total Operating Revenues	<u>134</u>	<u>3,159</u>
<b>Operating Expenses:</b>		
Christmas Parade/Summer Fest	2,500	5,000
Rent (property costs)	0	599
Development Costs	74,798	111,958
Accounting/Auditing	2,224	14,435
Property Taxes	0	1,487
Other General Admin	1,371	531
Insurance	1,524	1,524
Intergovernmental	0	55,000
Total Operating Expenses	<u>82,417</u>	<u>190,534</u>
Operating (Loss)	<u>(82,283)</u>	<u>(187,375)</u>

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2018**  
**(UNAUDITED)**

	<u>2018</u>	<u>2017</u>
<b>Nonoperating Revenues:</b>		
Interest	\$16,941	\$7,258
Tax Incremental Financing	26,827	0
Interest expense	(967,869)	(986,943)
Capital distributions	0	(323,348)
Lease payments	<u>1,260,954</u>	<u>1,274,223</u>
Total Nonoperating Revenues (Expenses)	<u>336,853</u>	<u>(28,810)</u>
Change in Net position	254,570	(216,185)
Net position, Beginning of Year	<u>(12,384,062)</u>	<u>(12,339,625)</u>
Net position, End of Year	<u><u>(\$12,301,240)</u></u>	<u><u>(\$12,555,810)</u></u>

The Auto Mall started making lease payments during both years. For fiscal year 2018, the Village collected the first tax increment revenue on the project which was provided as a revenue source on the bond repayment. The development costs went down as the activity on the megasite property is nearing completion with several major approvals occurring or pending.

**Capital Assets**

The Port Authority reports \$74,740 in capital assets at December 31, 2018. For more information on the Port Authority's capital assets refer to note 4 of the basic financial statements.

**Debt**

The Port Authority had two debt issuances outstanding at December 31, 2018 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. See notes 6 and 8 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, 2018**

**ASSETS:**

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 225,712
Restricted Cash and Cash Equivalents	909,300
TOTAL CURRENT ASSETS	1,135,012

LONG TERM ASSETS:

Lease Receivable - Mt. Orab Auto Mall	18,572,146
Intergovernmental Receivable - Mt. Orab Auto Mall	7,819,784
Capital Assets - Land held for Resale	74,740
TOTAL LONG TERM ASSETS	26,466,670

TOTAL ASSETS	27,601,682
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**LIABILITIES:**

CURRENT LIABILITIES:

Accounts Payable	6,506
Current Portion of TIF Revenue Bonds	25,000
Current Portion of Lease Revenue Bonds	350,000
	381,506

TOTAL CURRENT LIABILITIES:	381,506
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LONG TERM LIABILITIES:

TIF Revenue Bonds	3,177,873
Lease Revenue Bonds	9,951,613
TOTAL LONG TERM LIABILITIES:	13,129,486

TOTAL LIABILITIES	13,510,992
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**DEFERRED INFLOWS FOR RESOURCES:**

Lease/TIF Receivable	26,391,930
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**NET POSITION:**

Restricted:	
Net Investment in Capital Assets	74,740
Unrestricted	(12,375,980)
	(12,301,240)

TOTAL NET POSITION	\$ (12,301,240)
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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, 2018**

**OPERATING REVENUES:**

Interest	\$ 134
Total Operating Revenues	\$ 134

**OPERATING EXPENSES:**

Christmas Parade/Summer Fest	2,500
Insurance	1,524
Development Costs	74,798
Accounting/Auditing	2,224
Other General Administration	1,371
Total Operating Expenses	82,417
Operating Loss	(82,283)

**NONOPERATING REVENUES (EXPENSES):**

Restricted Interest	16,941
Lease Payments Revenues	1,260,954
Tax Incremental Revenue - Village of Mt. Orab	26,827
Interest Expense	(967,869)
Total Nonoperating Revenues (Expenses)	336,853

**CHANGE IN NET POSITION**

	254,570
Net Position Beginning of Year	(12,555,810)
Net Position End of Year	\$ (12,301,240)

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, 2018**

<b>Cash flows from operating activities:</b>	
Cash payments to supplier for goods and services	\$ (133,505)
Cash received from other sources	3,084
Net cash used for operating activities	<u>(130,421)</u>
 <b>Cash flows from capital related activities:</b>	
Lease Payments	1,260,954
Tax Incremental Revenues	26,827
Interest expense	(932,788)
Principal paid on bonds	<u>(355,000)</u>
Net cash used for capital related activities	<u>(7)</u>
 <b>Cash flows from investing activities:</b>	
Interest received	<u>16,941</u>
Net cash provided by investing activities	<u>16,941</u>
 Net Decrease in Cash and Cash Equivalents	 (113,487)
 Cash and cash equivalents at beginning of year	 <u>1,248,499</u>
Cash and cash equivalents at end of year	<u>\$ 1,135,012</u>
 <b>Reconciliation of operating loss to net cash used for operating activities</b>	
Operating Loss	(82,283)
Adjustments to reconcile operating loss to net cash used for operating activities	
Decrease in Accounts Receivable	2,950
Decrease in Accounts Payable	<u>(51,088)</u>
Net cash used for operating activities	<u>\$ (130,421)</u>

See accompanying notes to the basic financial statements

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**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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, 2018***

**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, 2018***

**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 General Fund during 2018 was \$134 with the restricted cash trust account receiving \$16,941.

During 2018, 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 2018 related to operating interest income. 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 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 tax incremental financing revenue for 2018 in relation to the debt service payments due.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY  
BROWN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018***

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

**G. Capital Assets and Depreciation**

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

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

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

**I. Deferred Inflows of Resources**

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

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

**J. Net Position**

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

**K. Conduit Debt Financing**

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

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**L. Estimates**

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

**3. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Port Authority as:

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

**Deposits**

At fiscal year-end, the carrying value of the Port Authority's deposits was \$225,712 and the bank balance was \$235,035. 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, 2018.

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, 2018, the Port Authority had \$909,300 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, 2018**

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2018, was as follows:

	Balance 12/31/2017	Increases	Decreases	Balance 12/31/2018
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, 2018 (latest available information) the outstanding balance was \$1,294,776. The Port Authority has no obligation to repay the outstanding balance.

**7. LEASE RECEIVABLE**

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

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**7. LEASE RECEIVABLE (continued)**

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

**8. LONG TERM OBLIGATIONS**

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

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

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

Changes in long-term obligations during 2018 were as follows:

	Balance 12/31/17	Increase	Decrease	Balance 12/31/18	Due within one year
Lease Revenue Bonds – 2015	\$11,105,000	\$0	\$330,000	\$10,775,000	\$350,000
Discount	(499,686)	0	26,299	(473,387)	0
TIF Revenue Bonds – 2015	3,465,000	0	25,000	3,440,000	25,000
Discount	(245,909)	0	8,782	(237,127)	0
<b>Total</b>	<b>\$13,824,405</b>	<b>\$0</b>	<b>\$390,081</b>	<b>\$13,504,486</b>	<b>\$375,000</b>

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

Years	Lease Revenue Bonds		
	Principal	Interest	Total
2019	\$350,000	\$683,688	\$1,033,688
2020	370,000	663,562	1,033,562
2021	390,000	642,288	1,032,288
2022	410,000	619,862	1,029,862
2023	435,000	596,288	1,031,288
2024-2028	2,750,000	2,407,276	5,157,276
2029-2033	3,740,000	1,421,548	5,161,548
2034-2036	1,870,000	191,360	2,061,360
Totals	\$10,775,000	\$7,797,146	\$18,572,146

Years	TIF Revenue Bonds		
	Principal	Interest	Total
2019	\$25,000	\$228,562	\$253,562
2020	25,000	227,000	252,000
2021	35,000	225,438	260,438
2022	40,000	223,250	263,250
2023	40,000	220,750	260,750
2024-2028	340,000	1,037,186	1,377,186
2029-2033	540,000	905,924	1,445,924
2034-2038	825,000	696,850	1,521,850
2039-2043	1,210,000	374,874	1,584,874
2044-2045	310,000	21,700	331,700
Totals	\$3,440,000	\$4,379,784	\$7,819,784

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**9. CURRENT YEAR PROJECTS**

Mt. Orab Auto Mall

During 2015, the Port Authority entered into a lease for the Mt. Orab Auto Mall development. The Port Authority issued two bond issues (See Note 8) to help finance the improvements. At the end of 2018, the development had five different auto brands located on site that employed an average of 46 people.

During 2018, the Port Authority spent \$119,674 for the mega site environmental work and historical evaluation on a cash basis during fiscal year 2018. The site comprises 1145 acres and it one of three sites listed a mega site in Ohio.

**10. CHANGE IN ACCOUNTING PRINCIPLES**

The Port Authority implemented the following GASB statement during fiscal year 2018:

GASB Statement No. 85 “Omnibus 2017”. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Port Authority.

GASB Statement No. 86 “Certain Debt Extinguishment Issues”. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Port Authority.

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***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY  
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MANAGEMENT’S DISCUSSION AND ANALYSIS  
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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, 2017. The intent of this discussion and analysis is to look at the Port Authority’s financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority’s financial performance.

The Management’s Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in 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 2017 are as follows:

- The Port Authority finished 2017 with \$356,133 in cash and cash equivalents, which is a decrease of \$133,816 from 2016.
- The Port Authority kept non development and intergovernmental operating expenses low for the fiscal year only expensing \$23,576 with minimal operating revenue for the year.
- The Port Authority paid \$55,000 to the Village of Mt. Orab to assist in the purchase of fire equipment.
- The Port Authority recorded \$111,958 in development costs on an accrual basis, which is mainly related to work on the megasite for environmental and other testing.

**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.

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**Statement of Net Position**

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

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

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

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

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

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

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Current assets	\$1,251,449	\$1,706,044
Long term assets	27,679,716	28,961,578
Capital assets	74,740	74,740
Total Assets	<u>29,005,905</u>	<u>30,742,362</u>
<b>Liabilities:</b>		
Current liabilities	412,594	331,085
Long term liabilities	13,469,405	13,789,324
Total Liabilities	<u>13,881,999</u>	<u>14,120,409</u>
<b>Deferred Inflows of Resources</b>	<u>27,679,716</u>	<u>28,961,578</u>
<b>Net position:</b>		
Net Investment in Capital Assets	74,740	74,740
Unrestricted	<u>(12,630,550)</u>	<u>(12,414,365)</u>
Total Net position	<u><u>(\$12,555,810)</u></u>	<u><u>(\$12,339,625)</u></u>

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The current assets decreased as the two cash accounts both dropped. The unrestricted cash dropped with expenses and very little in revenue. The restricted cash dropped as the remaining construction expenses were paid out during the year. The current liabilities increased in fiscal year 2017 with the current amounts due on the two bonds issued during 2015 and along with higher accounts payable as the Port Authority did additional work on the megasite property. Table 2 addresses the changes in net position from 2016 and 2017.

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues:</b>		
Reimbursements	\$2,950	\$0
Interest	209	222
Total Operating Revenues	<u>3,159</u>	<u>222</u>
<b>Operating Expenses:</b>		
Christmas Parade/Summer Fest	5,000	2,500
Rent (property costs)	599	0
Development Costs	111,958	93,532
Accounting/Auditing	14,435	1,750
Legal Fees	0	3,679
Property Taxes	1,487	769
Other General Admin	531	247
Insurance	1,524	1,822
Intergovernmental	55,000	6,000
Total Operating Expenses	<u>190,534</u>	<u>110,299</u>
Operating (Loss)	<u>(187,375)</u>	<u>(110,077)</u>

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	<u>2017</u>	<u>2016</u>
<b>Nonoperating Revenues:</b>		
Interest	\$7,258	\$11,756
Proceeds from sale of assets	0	6,084
Interest expense	(986,943)	(951,963)
Capital distributions	(323,348)	(9,114,143)
Lease payments	1,274,223	422,784
Cost of issuances/fiscal charges	0	(5,000)
Total Nonoperating Revenues (Expenses)	<u>(28,810)</u>	<u>(9,630,382)</u>
Change in Net position	(216,185)	(9,740,459)
Net position, Beginning of Year	<u>(12,339,625)</u>	<u>(2,599,166)</u>
Net position, End of Year	<u>(\$12,555,810)</u>	<u>(\$12,339,625)</u>

The Port Authority continued to disburse funds from the bond issuances to complete the infrastructure improvements for the Auto Mall Project. The Port Authority did sell the donated property from 2015 during 2016. The Auto Mall started making lease payments half way through 2016 which is why 2017 is higher. The development costs went up as there is more activity on the megasite property.

**Capital Assets**

The Port Authority reports \$74,740 in capital assets at December 31, 2017. For more information on the Port Authority's capital assets refer to note 4 of the basic financial statements.

**Debt**

The Port Authority had two debt issuances outstanding at December 31, 2017 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. See notes 6 and 8 of the basic financial statements for additional information.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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.

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**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY  
BROWN COUNTY, OHIO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

**ASSETS:**

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 356,133
Restricted Cash and Cash Equivalents	892,366
Accounts Receivable	2,950
<b>TOTAL CURRENT ASSETS</b>	<u>1,251,449</u>

LONG TERM ASSETS:

Lease Receivable - Mt. Orab Auto Mall	19,604,808
Intergovernmental Receivable - Mt. Orab Auto Mall	8,074,908
Capital Assets - Land held for Resale	74,740
<b>TOTAL LONG TERM ASSETS</b>	<u>27,754,456</u>

<b>TOTAL ASSETS</b>	<u><u>29,005,905</u></u>
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**LIABILITIES:**

CURRENT LIABILITIES:

Accounts Payable	57,594
Current Portion of TIF Revenue Bonds	25,000
Current Portion of Lease Revenue Bonds	330,000
	<u>412,594</u>

<b>TOTAL CURRENT LIABILITIES:</b>	<u>412,594</u>
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LONG TERM LIABILITIES:

TIF Revenue Bonds	3,194,091
Lease Revenue Bonds	10,275,314
<b>TOTAL LONG TERM LIABILITIES:</b>	<u>13,469,405</u>

<b>TOTAL LIABILITIES</b>	<u>13,881,999</u>
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**DEFERRED INFLOWS FOR RESOURCES:**

Lease/TIF Receivable	<u>27,679,716</u>
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**NET POSITION:**

Restricted:	
Net Investment in Capital Assets	74,740
Unrestricted	<u>(12,630,550)</u>

<b>TOTAL NET POSITION</b>	<u><u>\$ (12,555,810)</u></u>
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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, 2017**

**OPERATING REVENUES:**

Interest	\$	209
Other Revenues		2,950
		2,950
Total Operating Revenues	\$	3,159

**OPERATING EXPENSES:**

Christmas Parade/Summer Fest		5,000
Rental Costs		599
Insurance		1,524
Development Costs		111,958
Accounting/Auditing		14,435
Property Taxes		1,487
Other General Administration		531
Intergovernmental		55,000
		55,000
Total Operating Expenses		190,534
Operating Loss		(187,375)

**NONOPERATING REVENUES (EXPENSES):**

Restricted Interest		7,258
Lease Payments Revenues		1,274,223
Interest Expense		(986,943)
Capital Distributions		(323,348)
		(323,348)
Total Nonoperating Revenues (Expenses)		(28,810)

**CHANGE IN NET POSITION** (216,185)

Net Position Beginning of Year		(12,339,625)
Net Position End of Year		\$ (12,555,810)

See accompanying notes to the basic financial statements

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY  
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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Cash flows from operating activities:**

Cash payments to supplier for goods and services	\$ (79,025)
Cash payments to Village of Mt. Orab	(55,000)
Cash received from other sources	209
Net cash used for operating activities	<u>(133,816)</u>

**Cash flows from capital related activities:**

Lease Payments	1,274,223
Capital distributions for construction project	(323,348)
Interest expense	(951,862)
Principal paid on bonds	<u>(330,000)</u>
Net cash used for capital related activities	<u>(330,987)</u>

**Cash flows from investing activities:**

Interest received	<u>7,258</u>
Net cash provided by investing activities	<u>7,258</u>

Net Decrease in Cash and Cash Equivalents (457,545)

Cash and cash equivalents at beginning of year	<u>1,706,044</u>
Cash and cash equivalents at end of year	<u>\$ 1,248,499</u>

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

Operating Loss	(187,375)
Adjustments to reconcile operating loss to net cash used for operating activities	
Increase in Accounts Receivable	(2,950)
Increase in Accounts Payable	<u>56,509</u>
Net cash used for operating activities	<u>\$ (133,816)</u>

See accompanying notes to the basic financial statements

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**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY**  
**BROWN COUNTY, OHIO**  
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**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  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation**

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

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

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

For the fiscal year 2017 budget, the Port Authority did certify beginning balances; certify revenue available for appropriation; and adopt appropriations within available resources and present an approved fiscal year budget during the January 2017 Board meeting.

**D. Cash and Cash Equivalents**

Cash balances of the Port Authority, except cash held by the fiscal agent and restricted cash, are pooled and invested in short-term investments in order to provide improved cash management. Investment income credit to the General Fund during 2017 was \$209 with the restricted cash trust account receiving \$7,258.

During 2017, 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 2017 related to refunds and operating interest income. 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 bonds during 2015 in relation to the car dealership development on the 29+ acres the Port Authority owns that had the majority of the funds distributed to the developer. The Port Authority also received lease payments for 2017 in relation to the debt service payments due.

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

**G. Capital Assets and Depreciation**

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

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

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

**I. Deferred Inflows of Resources**

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

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

**J. Net Position**

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

**K. Conduit Debt Financing**

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

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

**L. Estimates**

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

**3. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Port Authority as:

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

**Deposits**

At fiscal year-end, the carrying value of the Port Authority's deposits was \$355,825 and the bank balance was \$356,133. \$250,000 of the bank balance was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2017, \$106,133 of the deposits were exposed to custodial credit risk.

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

**Investments**

As of December 31, 2017, the Port Authority had \$892,366 invested in money market funds that carries a credit rating of S& P – AAAm.

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**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
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 June 30, 2017 (latest available information) the outstanding balance was \$1,729,520. The Port Authority has no obligation to repay the outstanding balance.

**7. LEASE RECEIVABLE**

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

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**DECEMBER 31, 2017**

**7. LEASE RECEIVABLE (continued)**

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

**8. LONG TERM OBLIGATIONS**

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

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

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

Changes in long-term obligations during 2017 were as follows:

	Balance 12/31/16	Increase	Decrease	Balance 12/31/17	Due within one year
Lease Revenue Bonds – 2015	\$11,415,000	\$0	\$310,000	\$11,105,000	\$330,000
Discount	(525,985)	0	26,299	(499,686)	0
TIF Revenue Bonds – 2015	3,485,000	0	20,000	3,465,000	25,000
Discount	(254,691)	0	8,782	(245,909)	0
<b>Total</b>	<b>\$14,119,324</b>	<b>\$0</b>	<b>\$365,081</b>	<b>\$13,824,405</b>	<b>\$355,000</b>

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

Years	Lease Revenue Bonds		
	Principal	Interest	Total
2018	\$330,000	\$702,662	\$1,032,662
2019	350,000	683,688	1,033,688
2020	370,000	663,562	1,033,562
2021	390,000	642,288	1,032,288
2022	410,000	619,862	1,029,862
2023-2027	2,450,000	2,708,888	5,158,888
2028-2032	3,290,000	1,866,636	5,156,636
2033-2036	3,515,000	612,222	4,127,222
Totals	\$11,105,000	\$8,499,808	\$19,604,808

Years	TIF Revenue Bonds		
	Principal	Interest	Total
2018	\$25,000	\$230,124	\$255,124
2019	25,000	228,562	253,562
2020	25,000	227,000	252,000
2021	35,000	225,438	260,438
2022	40,000	223,250	263,250
2023-2027	275,000	1,073,748	1,348,748
2028-2032	450,000	966,312	1,416,312
2033-2037	700,000	791,424	1,491,424
2038-2042	1,040,000	521,550	1,561,550
2043-2045	850,000	122,500	972,500
Totals	\$3,465,000	\$4,609,908	\$8,074,908

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**9. CURRENT YEAR PROJECTS**

Mt. Orab Auto Mall

During 2015, the Port Authority entered into a lease for the Mt. Orab Auto Mall development. The Port Authority issued two bond issues (See Note 8) to help finance the improvements. At the end of 2017, the development had five different auto brands located on site that employed an average of 46 people.

During 2017, the Port Authority spent \$29,773 for the mega site environmental work and historical evaluation on a cash basis during fiscal year 2017. The site comprises 1145 acres and it one of three sites listed a mega site in Ohio.

**10. CHANGE IN ACCOUNTING PRINCIPLES**

The Port Authority implemented the following GASB statement during fiscal year 2017:

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

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# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
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SouthwestRegion@ohioauditor.gov

## 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  
211 South High Street  
Mt. Orab, Ohio 45154

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Southwest Ohio Regional Development Authority, Brown County, (the Port Authority) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated September 20, 2019.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Port Authority's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

September 20, 2019

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**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.

The following conditions related to management controls over financial reporting were identified:

- Lease Payments Revenue and Restricted Cash & Cash Equivalents were each overstated by \$171,748 in 2017.
- Intergovernmental Revenue totaling \$53,654 was incorrectly posted to Lease Payments Revenue and Tax Incremental Financing Revenue in the amounts of \$26,827 and \$26,827, respectively, in 2018.

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

The Port Authority did not have procedures in place for effective monitoring of the Port Authority's financial activity, and the accuracy of accounting and financial reporting. 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.

The Port Authority should exercise due care when posting entries to the financial records and financial statement preparation to prevent errors and to assist in properly reflecting the Port Authority's financial activity.

**Officials' Response:**

The Port Authority mistakenly doubled posted a transaction that wasn't caught until after year end and the financial statement was submitted. The Port Authority will also post the trustee deposits from the Village of Mt. Orab related to TIF revenue the Village receives as intergovernmental revenue.

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# *Southwest Ohio Regional Development Authority*

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## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**December 31, 2016 and 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	The Port Authority management is responsible for preparing and fairly presenting their financial statements as required by Section 117-02-03 of the Ohio Administrative Code	Partially Corrected	The two issues that were noted during the prior audit were corrected; however, two additional items that fall under the same "finding summary" were noted. The Port Authority is working to correct those misstatements in future periods so the finding can be resolved.

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# OHIO AUDITOR OF STATE KEITH FABER



**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY**

**BROWN COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 8, 2019**