



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF BEAVERCREEK, OHIO ENERGY SID, INC.
GREENE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

City of Beavercreek (Greene County) Ohio Energy Special Improvement District, Inc.
Greene County
180 East Broad Street
Columbus, Ohio 43215

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc., Greene County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017 and the period December 14, 2016 through December 31, 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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.

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 District'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 District'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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles & 2016 Regulatory Basis of Accounting

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting for the years ended December 31, 2018 and 2017* paragraph below.

The financial statements omit the notes to the financial statements for the period December 14, 2016 through December 31, 2016. Under provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), notes are an integral part of the regulatory financial statements. The effects on the regulatory financial statements of the failure to present notes have not been determined.

Adverse Opinion on U.S. Generally Accepted Accounting Principles & 2016 Regulatory Basis of Accounting

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles & 2016 Regulatory Basis of Accounting* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2018, 2017 and 2016, and the respective changes in financial position thereof for the years and period then ended.

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles & 2016 Regulatory Basis of Accounting* paragraph, the financial statements referred to above do not present fairly the financial position of the District as of December 31, 2016, and the respective changes in financial position thereof for the period then ended.

Opinion on Regulatory Basis of Accounting for the years ended December 31, 2018 and 2017

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the City of Beavercreek Ohio Energy SID, Inc., Greene County as of December 31, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 5 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2020, on our consideration of the District'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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

May 13, 2020

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City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.

Greene County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

All Governmental Fund Types

For the Year Ended December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Earnings on Investments	\$42	\$1,345	\$17,838	\$19,225
Special Assessments		377,412		377,412
<i>Total Cash Receipts</i>	<u>42</u>	<u>378,757</u>	<u>17,838</u>	<u>396,637</u>
Cash Disbursements				
Current:				
Administrative Expenses		3,750		3,750
Disbursement Draws			1,792,459	1,792,459
Debt Service:				
Principal Retirement		158,000		158,000
Interest and Fiscal Charges		213,363		213,363
<i>Total Cash Disbursements</i>	<u>0</u>	<u>375,113</u>	<u>1,792,459</u>	<u>2,167,572</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>42</u>	<u>3,644</u>	<u>(1,774,621)</u>	<u>(1,770,935)</u>
Other Financing Receipts (Disbursements)				
Transfers In	4,250	293,516		297,766
Transfers Out		(4,250)	(293,516)	(297,766)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>4,250</u>	<u>289,266</u>	<u>(293,516)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	4,292	292,910	(2,068,137)	(1,770,935)
<i>Fund Cash Balances, January 1</i>	<u>0</u>	<u>4,879</u>	<u>2,068,137</u>	<u>2,073,016</u>
Fund Cash Balances, December 31				
Restricted		297,789		297,789
Unassigned (Deficit)	4,292			4,292
<i>Fund Cash Balances, December 31</i>	<u>\$4,292</u>	<u>\$297,789</u>	<u>\$0</u>	<u>\$302,081</u>

See accompanying notes to the basic financial statements

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City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.

Greene County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc., (the District) is a not for-profit corporation formed to govern an energy special improvement district pursuant to Ohio Revised Code Chapter 1710. The District was established as a mechanism to effect the construction of energy improvements for the benefit of its members and the community generally.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio and the trust agreement.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District had the following significant Debt Service Funds:

Bond Fund: The fund including the Principal Account and Interest Account therein, accounts for the portion of special assessments received that are pledged to the payment of interest and principal on the \$3,415,000 Property Assessed Clean Energy Taxable Revenue Bonds (The Mall at Fairfield Commons Project), Series 2016, issued by the Greene County Port Authority (the "Bonds") under the Trust Agreement dated December 19, 2016, by and among the Greene County Port Authority; the City of Beavercreek, Ohio; the City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc. ; MFC Beavercreek LLC.; and the Huntington National Bank.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Entity had the following significant capital project funds:

Project Fund: The Project Fund accounts for and reports proceeds of the \$3,415,000 Property Assessed Clean Energy Taxable Revenue Bonds (The Mall at Fairfield Commons Project), Series 2016, issued by the Greene County Port Authority (the "Bonds") under the Trust Agreement dated December 19, 2016, by and among the Greene County Port Authority; the City of Beavercreek, Ohio; the City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc. ; MFC Beavercreek LLC.; and the Huntington National Bank. The proceeds are restricted for construction of energy efficiency improvements further described in the Trust Agreement.

City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.

Greene County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District values money market mutual funds at share values the mutual funds report.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Entity classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Governing Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Governing Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District's Governing Board or a District official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.

Greene County

Notes to the Financial Statements

For the Year Ended December 31, 2018

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Debt

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Assessment Revenue Bonds	<u>\$3,257,000</u>	6%
Total	<u><u>\$3,257,000</u></u>	

The debt outstanding includes only the \$3,415,000 Property Assessed Clean Energy Taxable Revenue Bonds (The Mall at Fairfield Commons Project), Series 2016, issued by the Greene County Port Authority (the “Bonds”) under the Trust Agreement dated December 19, 2016, by and among the Greene County Port Authority; the City of Beavercreek, Ohio; the City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.; MFC Beavercreek LLC.; and the Huntington National Bank (the “Trust Agreement”). The bonds are payable only from the pledged revenues under the Trust Agreement consisting of assessments levied by the City of Beavercreek (Greene County), Ohio, and assigned to the Huntington National Bank, as trustee, for the benefit of bondholders. Assessments are payable semiannually on June 1 and December 1, with the final payment occurring on December 1, 2031. The Bonds were issued to finance energy efficiency improvements in accordance with Ohio Revised Code Chapter 1710.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Special Assessment Bonds
2019	\$371,220
2020	371,444
2021	370,942
2022	370,776
2023	370,788
2024-2028	1,856,000
2029-2031	1,113,444
	<u><u>\$4,824,614</u></u>

City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.

Greene County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Debt Service Trust Funds

The Trust Agreement dated December 19, 2016, by and among the Greene County Port Authority; the City of Beavercreek, Ohio; the City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.; MFC Beavercreek LLC.; and the Huntington National Bank (The “Trust Agreement”) required the District to establish a debt service fund to be maintained by the Huntington National Bank (the “Trustee”). The Bond Fund held under the Trust Agreement has been established for this purpose. At December 31, 2018, the Trustee held \$297,789 in this account.

Note 4 – Other Trust Fund

The Trust Agreement required the District to establish a construction fund to be maintained by the Trustee and used to fund construction of energy efficiency improvements. The Project Account held under the Trust Agreement has been established for this purpose. At December 31, 2018, the Trustee held \$0 in this account.

The Trust Agreement required the District to establish an administrative expense fund to be maintained by the Huntington National Bank and use to pay administrative expenses incurred by the District. The Administrative Expense Account held under the Trust Agreement has been established for this purpose. At December 31, 2018, the Trustee held \$4,292 in this account for this purpose.

Note 5 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March, 2020, due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District’s investment portfolio have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 6 – Related Party Transactions

MFC Beavercreek, LLC (MFC) owns the Mall at Fairfield Commons. MFC appointed three out of five members to the District’s Board. The \$3,415,000 special assessment bonds were used for the sole purpose of financing the energy efficiency improvements at the Mall.

City of Beavercreek (Greene County) Energy Special Improvement District, Inc.

Greene County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

All Governmental Fund Types

For the Year Ended December 31, 2017

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Earnings on Investments	<u>\$629</u>	<u>\$11,990</u>	<u>\$12,619</u>
<i>Total Cash Receipts</i>	<u>629</u>	<u>11,990</u>	<u>12,619</u>
Cash Disbursements			
Current:			
Administrative Expenses	1,125		1,125
Disbursement Draws		1,007,584	1,007,584
Debt Service:			
Interest and Fiscal Charges	<u>205,037</u>		<u>205,037</u>
<i>Total Cash Disbursements</i>	<u>206,162</u>	<u>1,007,584</u>	<u>1,213,746</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(205,533)</u>	<u>(995,594)</u>	<u>(1,201,127)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(205,533)</u>	<u>(995,594)</u>	<u>(1,201,127)</u>
<i>Fund Cash Balances, January 1</i>	<u>210,412</u>	<u>3,063,731</u>	<u>3,274,143</u>
Fund Cash Balances, December 31			
Restricted	<u>4,879</u>	<u>2,068,137</u>	<u>2,073,016</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$4,879</u></u>	<u><u>\$2,068,137</u></u>	<u><u>\$2,073,016</u></u>

See accompanying notes to the basic financial statements

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City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.

Greene County

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 1 – Reporting Entity

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City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.

Greene County

Notes to the Financial Statements

For the Year Ended December 31, 2017

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Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.

Greene County

Notes to the Financial Statements

For the Year Ended December 31, 2017

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Debt

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Assessment Revenue Bonds	<u>\$3,415,000</u>	6%
Total	<u><u>\$3,415,000</u></u>	

The debt outstanding includes only the \$3,415,000 Property Assessed Clean Energy Taxable Revenue Bonds (The Mall at Fairfield Commons Project), Series 2016, issued by the Greene County Port Authority (the “Bonds”) under the Trust Agreement dated December 19, 2016, by and among the Greene County Port Authority; the City of Beavercreek, Ohio; the City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.; MFC Beavercreek LLC.; and the Huntington National Bank (the “Trust Agreement”). The bonds are payable only from the pledged revenues under the Trust Agreement consisting of assessments levied by the City of Beavercreek (Greene County), Ohio, and assigned to the Huntington National Bank, as trustee, for the benefit of bondholders. Assessments are payable semiannually on June 1 and December 1, with the final payment occurring on December 1, 2031. The Bonds were issued to finance energy efficiency improvements in accordance with Ohio Revised Code Chapter 1710.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Special Assessment Bonds
2018	\$371,363
2019	371,220
2020	371,444
2021	370,942
2022	370,776
2023-2027	1,855,589
2028-2031	<u>1,484,643</u>
	<u><u>\$5,195,977</u></u>

City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.

Greene County

Notes to the Financial Statements

For the Year Ended December 31, 2017

Debt Service Trust Funds

The Trust Agreement dated December 19, 2016, by and among the Greene County Port Authority; the City of Beavercreek, Ohio; the City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.; MFC Beavercreek LLC.; and the Huntington National Bank (The “Trust Agreement”) required the District to establish a debt service fund to be maintained by the Huntington National Bank (the “Trustee”). The Bond Fund held under the Trust Agreement has been established for this purpose. At December 31, 2017, the Trustee held \$4,879 in this account.

Note 4 – Other Trust Fund

The Trust Agreement required the District to establish a construction fund to be maintained by the Trustee and used to fund construction of energy efficiency improvements. The Project Account held under the Trust Agreement has been established for this purpose. At December 31, 2017, the Trustee held \$2,068,137 in this account.

The Trust Agreement required the District to establish an administrative expense fund to be maintained by the Huntington National Bank and use to pay administrative expenses incurred by the District. The Administrative Expense Account held under the Trust Agreement has been established for this purpose. At December 31, 2017, the Trustee held \$0 in this account for this purpose.

Note 5 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March, 2020, due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District’s investment portfolio have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 6 – Related Party Transactions

MFC Beavercreek, LLC (MFC) owns the Mall at Fairfield Commons. MFC appointed three out of five members to the District’s Board. The \$3,415,000 special assessment bonds were used for the sole purpose of financing the energy efficiency improvements at the Mall.

City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.

Greene County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

All Governmental Fund Types

For the Period Ended December 31, 2016

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Disbursements			
Current:			
Administrative Expenses	<u>\$0</u>	<u>\$140,857</u>	<u>\$140,857</u>
<i>Total Cash Disbursements</i>	<u>0</u>	<u>140,857</u>	<u>140,857</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>(140,857)</u>	<u>(140,857)</u>
Other Financing Receipts (Disbursements)			
Proceeds of Debt	<u>210,412</u>	<u>3,204,588</u>	<u>3,415,000</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>210,412</u>	<u>3,204,588</u>	<u>3,415,000</u>
<i>Net Change in Fund Cash Balances</i>	210,412	3,063,731	3,274,143
<i>Fund Cash Balances, January 1</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Cash Balances, December 31			
Restricted	210,412	3,063,731	3,274,143
<i>Fund Cash Balances, December 31</i>	<u><u>\$210,412</u></u>	<u><u>\$3,063,731</u></u>	<u><u>\$3,274,143</u></u>

See accompanying notes to the basic financial statements

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OHIO AUDITOR OF STATE KEITH FABER



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

City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc.
Greene County
180 East Broad Street
Columbus, Ohio 43215

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 cash balances, receipts, and disbursements by fund type of the City of Beavercreek (Greene County), Ohio Energy Special Improvement District, Inc., Greene County, (the District) as of and for the years ended December 31, 2018 and 2017 and for the period December 14, 2016 through December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2020 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted that the financial statements omitted the notes to the financial statements for the period ended December 31, 2016 and that the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District'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 District'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 a material weakness.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 13, 2020

**CITY OF BEAVERCREEK (GREENE COUNTY), OHIO ENERGY SPECIAL IMPROVEMENT DISTRICT, INC.
GREENE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018, 2017 AND 2016**

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

FINDING NUMBER 2018-001

MATERIAL WEAKNESS – FINANCIAL STATEMENT MISSTATEMENTS

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.

The Energy Special Improvement District (District) prepared its annual financial statements in accordance with regulatory cash basis of accounting. Due to lack of appropriate controls over financial statement preparation process, the District's fiscal year 2018 and 2017 financial statements contained the following errors which were determined to be material and required audit adjustments to properly present the accompanying financial statements:

1. Section 4.06 of the District's Trustee Agreement between Greene County Port Authority and the Huntington National Bank requires the District to establish an administrative expense fund to pay for reasonable expenses incurred by the District. The fund did not have any restrictions imposed by the Trust agreement and should have been reported as a General Fund. The District reported the fund as a Special Revenue Fund during 2018 and 2017.
2. The District did not classify fund balances in accordance with GASB Statement No. 54 as codified under Section 1800 paragraphs 165-182.
3. There were inconsistencies on how the funds were reported on the financial statements between 2018, 2017, and 2016. The following errors were noted based on the fund's purpose according to the Trust agreement and where the fund was reported.

On the 2018 Financial Statements:

The following errors were noted in the District's Capital Projects fund:

- Earnings on Investments was overstated by \$556
- Cash was overstated by \$556
- Principal Retirement was overstated by \$158,000
- Interest and Fiscal Charges were overstated by \$135,516
- Transfers Out were understated by \$293,516

The following errors were noted in the District's Debt Service fund:

- Earnings on Investment was understated \$1,322
- Administrative Expenses were understated by \$3,750
- Principal Retirement was understated by \$158,000
- Interest and Fiscal Charges were overstated by \$168,396
- Transfers In were understated by \$293,516
- Transfers Out were understated by \$4,250
- Beginning fund balance was understated by \$4
- Cash was understated by \$297,238

**FINDING NUMBER 2018-001
(Continued)**

On the 2017 Financial Statements, the following errors were noted:

The following errors were noted in the District's Debt Service Fund:

- Earnings on Investments were understated by \$4;
- Cash was understated by \$4.

On the 2016 Financial Statements, the following errors were noted:

The following errors were noted in the District's Debt Service Fund:

- The District reported \$210,412 in proceeds from sale of debt as special assessment receipts.

The following errors were noted in the District's Capital Projects Fund:

- The District reported \$3,204,588 in proceeds from sale of debt as special assessment receipts;

4. Additionally, the District did not present notes to the financial statements for period ending December 31, 2016. This resulted in an opinion modification due to an incomplete filing.

Policies and procedures should be established and implemented to verify that financial statements are complete and accurate. Failure to do so could result in the users of financial statements relying on materially incorrect information to base their opinion about the District's finances.

Official's Response: We did not receive a response from officials to this finding.

OHIO AUDITOR OF STATE
KEITH FABER



CITY OF BEAVERCREEK OHIO ENERGY SID INC

GREENE 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
JUNE 11, 2020**