



OHIO AUDITOR OF STATE
KEITH FABER



**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY
DECEMBER 31, 2020 AND 2019**

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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 Authority), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the 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 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, during 2020, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*. We did not modify our opinion regarding this matter.

As discussed in Note 9 to the 2020 financial statements and Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Authority's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
November 22, 2021

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(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, 2020. 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 2020 are as follows:

- The Port Authority finished 2020 with \$178,088 in cash and cash equivalents, which is an increase of \$2,044 from 2019.
- The Port Authority saw total operating expenses of \$10,372 as the Port Authority is working on finalizing the mega site certification.
- The Port Authority still reports the lease payments and related debt service on the financial statements as the activity runs through the trust accounts. The related asset and liabilities have been removed under GASB Statement No. 91 reporting.

Using this Financial Report

This financial report contains the basic financial statements of the Port Authority, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the Port Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information are the same.

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(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 2019 and 2020.

	2020	Restated 2019
Assets:		
Current assets	\$1,099,824	\$1,108,230
Capital assets	74,740	74,740
Total Assets	<u>1,174,564</u>	<u>1,182,970</u>
Liabilities:		
Current liabilities	<u>2,376</u>	<u>2,534</u>
Net position:		
Net Investment in Capital Assets	74,740	74,740
Restricted	921,736	932,186
Unrestricted	<u>175,712</u>	<u>173,510</u>
Total Net position	<u>\$1,172,188</u>	<u>\$1,180,436</u>

The unrestricted cash increased with administrative fee from the Union Township refinancing. The restricted cash actually decreased as the payment timing caught in the trust account. Table 2 addresses the changes in net position from 2019 and 2020.

SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)

	2020	2019
Operating Revenues:		
Administrative Fee	\$10,000	\$0
Interest	40	95
Miscellaneous	2,534	0
Total Operating Revenues	12,574	95
Operating Expenses:		
Christmas Parade/Summer Fest	2,500	2,500
Development Costs	1,275	26,156
Accounting/Auditing	937	14,940
Other General Admin	1,636	621
Insurance	1,648	1,574
Total Operating Expenses	10,372	45,791
Operating (Loss)	2,202	(45,696)
Nonoperating Revenues (Expenses):		
Interest	3,887	22,886
Intergovernmental revenue	1,276,226	51,819
Interest expense	(895,563)	(947,331)
Lease payments	(395,000)	1,235,431
Total Nonoperating Revenues (Expenses)	(10,450)	362,805
Change in Net position	(8,248)	317,109
Net position, Beginning of Year	(11,984,131)	(12,301,240)
Restatement	13,164,567	0
Net position, End of Year	\$1,172,188	(\$11,984,131)

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

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)***

Capital Assets

The Port Authority reports \$74,740 in capital assets at December 31, 2020. For more information on the Port Authority's capital assets refer to note 4 of the basic financial statements.

Debt

The Port Authority has three conduit debt issuances outstanding at December 31, 2020. Two issues are backed by lease or tif revenue with no obligation of the Port Authority's operating income. The Port Authority also had the conduit debt issued on behalf of American Trailer Works. See note 6 of the basic financial statements for additional information.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Southwest Ohio Regional Development Authority and to show the Port Authority's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Southwest Ohio Regional Development Authority, 211 South High Street, Mt. Orab, Ohio 45154, (937) 444-4141.

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 178,088
Restricted Cash and Cash Equivalents	921,736
TOTAL CURRENT ASSETS	1,099,824

LONG TERM ASSETS:

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

TOTAL ASSETS	1,174,564
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	2,376
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TOTAL LIABILITIES	2,376
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NET POSITION:

Net Investment in Capital Assets	74,740
Restricted	921,736
Unrestricted	175,712

TOTAL NET POSITION	\$ 1,172,188
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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, 2020**

OPERATING REVENUES:

Administrative Fees	\$	10,000
Interest		40
Other Revenues		<u>2,534</u>
Total Operating Revenues		<u>12,574</u>

OPERATING EXPENSES:

Christmas Parade/Summer Fest		2,500
Insurance		1,648
Development Costs		1,275
Accounting/Auditing		937
Other General Administration		<u>1,636</u>
Total Operating Expenses		<u>10,372</u>
Operating Income		<u>2,202</u>

NONOPERATING REVENUES (EXPENSES):

Restricted Interest		3,887
Lease Payments Revenues		1,223,570
Tax Incremental Revenue - Village of Mt. Orab		52,656
Interest Expense		(895,563)
Principal Payments		<u>(395,000)</u>
Total Nonoperating Revenues (Expenses)		<u>(10,450)</u>

CHANGE IN NET POSITION

		(8,248)
Net Position Beginning of Year - Restated		<u>1,180,436</u>
Net Position End of Year	\$	<u><u>1,172,188</u></u>

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, 2020**

Cash flows from operating activities:

Cash received from customers	\$ 10,000
Cash payments to supplier for goods and services	(10,530)
Cash received from other sources	2,574
Net cash provided by operating activities	<u>2,044</u>

Cash flows from capital related activities:

Lease Payments	1,223,570
Tax Incremental Revenues	52,656
Interest expense	(895,563)
Principal paid on bonds	(395,000)
Net cash used for capital related activities	<u>(14,337)</u>

Cash flows from investing activities:

Interest received	3,887
Net cash provided by investing activities	<u>3,887</u>

Net Decrease in Cash and Cash Equivalents (8,406)

Cash and cash equivalents at beginning of year	1,108,230
Cash and cash equivalents at end of year	<u>\$ 1,099,824</u>

Reconciliation of operating income to net cash provided by operating activities

Operating Income	2,202
Adjustments to reconcile operating income to net cash provided by operating activities	
Decrease in Accounts Payable	(158)
Net cash provided by operating activities	<u>\$ 2,044</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, 2020***

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, 2020***

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, 2020***

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 2020 was \$40 with the restricted cash trust account receiving \$3,887.

During 2020, 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 2020 related to operating interest income, administrative fees and other revenues. Operating expenses are necessary costs incurred to support the Port Authority's primary mission.

Non-operating revenues and expenses are those that are not generated directly by the Port Authority's primary mission. Various state grants, local government contributions, interest income and expenses comprise the non-operating revenues and expenses of the Port Authority. The Port Authority also issued two different set of conduit bonds during 2015 in relation to the car dealership development on the 29+ acres the Port Authority owns that had the majority of the funds distributed to the developer. The Port Authority also received lease payments and tax incremental financing revenue for 2020 in relation to the debt service payments due.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020***

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital assets and depreciation

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

H. Accrued Liabilities and Long-Term Obligations

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

I. Net Position

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

J. Conduit Debt Financing

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

K. Estimates

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

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020***

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 \$178,088 and the bank balance was \$178,088. 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, 2020.

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, 2020, the Port Authority had \$921,736 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, 2020

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2020, was as follows:

	Balance 12/31/2019	Increases	Decreases	Balance 12/31/2020
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, 2020 (latest available information) the outstanding balance was \$420,000. The Port Authority has no obligation to repay the outstanding balance.

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

SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. CONDUIT DEBT PAYABLE (continued)

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

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

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

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

Changes in conduit obligations during 2020 were as follows:

	Balance 12/31/19	Increase	Decrease	Balance 12/31/20
American Trailer Works - 2011	\$820,000	\$0	\$400,000	\$420,000
Lease Revenue Bonds – 2015	10,425,000	0	370,000	10,055,000
TIF Revenue Bonds – 2015	3,415,000	0	25,000	3,390,000
Total	<u>\$14,660,000</u>	<u>\$0</u>	<u>\$795,000</u>	<u>\$13,865,000</u>

7. CURRENT YEAR PROJECTS

During 2015, the Port Authority entered into a lease for the Mt. Orab Auto Mall development. The Port Authority issued two bond issues (See Note 6) to help finance the improvements. At the end of 2020, the development had five different auto brands located on site that employed an average of 46 people.

During 2020, the Port Authority continued working on the mega site environmental work and historical evaluation for formal certification during fiscal year 2020. The site comprises 1145 acres and it one of three sites listed a mega site in Ohio.

SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. CHANGE IN ACCOUNTING PRINCIPLES

The Port Authority implemented the following GASB statement during fiscal year 2020:

GASB Statement No. 83 “Certain Asset Retirement Obligations.” The Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.

GASB Statement No. 90 “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61”. The Statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

GASB Statement No. 91 “Conduit Debt Obligations” which clarifies how conduit bond issues should be reported on the Authority’s financial statements.

Neither the GASB 83 nor GASB 90 statements had an impact on the Port Authority’s financial statements.

By implementing GASB 91, the Port Authority had to restate the beginning balances reported for leases receivable, long term debt obligations where the Port Authority was not the legal obligor under the three party agreement and related deferred inflows of resources. The following table shows the restatement.

January 1, 2020 Net Position	(\$11,984,131)
GASB Statement No. 91 restatement	<u>13,164,567</u>
Restated January 1, 2020 Net Position	<u>\$1,180,436</u>

9. COVID 19

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 the COVID-19 and the ensuing emergency measures will impact subsequent periods of the Port Authority. The Port Authority’s investment portfolio has 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 will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Port Authority’s future operating costs, revenues and recovery from emergency funding, either federal or state, cannot be estimated.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(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, 2019. 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 2019 are as follows:

- The Port Authority finished 2019 with \$176,044 in cash and cash equivalents, which is a decrease of \$49,668 from 2018.
- The Port Authority saw development expenses compose of 57% of total expenses (\$45,791) as the Port Authority continued to work on the mega site certifications.
- The Port Authority's other operating expenses increased with the bi-annual audit being completed during 2019.

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, 2019
(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 2018 and 2019.

	<u>2019</u>	<u>2018</u>
Assets:		
Current assets	\$1,108,230	\$1,135,012
Long term assets	25,104,680	26,391,930
Capital assets	74,740	74,740
Total Assets	<u>26,287,650</u>	<u>27,601,682</u>
Liabilities:		
Current liabilities	397,534	381,506
Long term liabilities	12,769,567	13,129,486
Total Liabilities	<u>13,167,101</u>	<u>13,510,992</u>
Deferred Inflows of Resources	<u>25,104,680</u>	<u>26,391,930</u>
Net position:		
Net Investment in Capital Assets	74,740	74,740
Unrestricted	<u>(12,058,871)</u>	<u>(12,375,980)</u>
Total Net position	<u><u>(\$11,984,131)</u></u>	<u><u>(\$12,301,240)</u></u>

SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(UNAUDITED)

The unrestricted cash dropped with expenses and very little in revenue. The restricted cash actually increased with the interest revenue earned. The current liabilities increased as the principal due in fiscal year 2020 is greater than fiscal year 2019. Table 2 addresses the changes in net position from 2018 and 2019.

	2019	2018
Operating Revenues:		
Interest	\$95	\$134
Total Operating Revenues	95	134
Operating Expenses:		
Christmas Parade/Summer Fest	2,500	2,500
Development Costs	26,156	74,798
Accounting/Auditing	14,940	2,224
Other General Admin	621	1,371
Insurance	1,574	1,524
Total Operating Expenses	45,791	82,417
Operating (Loss)	(45,696)	(82,283)
Nonoperating Revenues (Expenses):		
Interest	22,886	\$16,941
Intergovernmental revenue	51,819	26,827
Interest expense	(947,331)	(967,869)
Lease payments	1,235,431	1,260,954
Total Nonoperating Revenues (Expenses)	362,805	336,853
Change in Net position	317,109	254,570
Net position, Beginning of Year	(12,301,240)	(12,384,062)
Net position, End of Year	(\$11,984,131)	(\$12,301,240)

The Auto Mall made lease payments during both years. For fiscal year 2018, the Village collected the first intergovernmental revenue (Village TIF revenue) on the project which was provided as a revenue source on the bond repayment. The developer also contributed additional funds to make up for the shortfall in Village TIF revenue. The development costs went down as the activity on the mega site property is nearing completion with several major approvals occurring or pending.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(UNAUDITED)***

Capital Assets

The Port Authority reports \$74,740 in capital assets at December 31, 2019. 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, 2019 backed by lease or tiff 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, 2019**

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 176,044
Restricted Cash and Cash Equivalents	932,186
TOTAL CURRENT ASSETS	1,108,230

LONG TERM ASSETS:

Lease Receivable - Mt. Orab Auto Mall	17,538,458
Intergovernmental Receivable - Mt. Orab Auto Mall	7,566,222
Capital Assets - Land held for Resale	74,740
TOTAL LONG TERM ASSETS	25,179,420

TOTAL ASSETS	26,287,650
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	2,534
Current Portion of TIF Revenue Bonds	25,000
Current Portion of Lease Revenue Bonds	370,000
	397,534

TOTAL CURRENT LIABILITIES:	397,534
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LONG TERM LIABILITIES:

TIF Revenue Bonds	3,161,655
Lease Revenue Bonds	9,607,912
TOTAL LONG TERM LIABILITIES:	12,769,567

TOTAL LIABILITIES	13,167,101
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DEFERRED INFLOWS FOR RESOURCES:

Lease/TIF Receivable	25,104,680
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NET POSITION:

Restricted:	
Net Investment in Capital Assets	74,740
Unrestricted	(12,058,871)
	(11,984,131)

TOTAL NET POSITION	\$ (11,984,131)
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See accompanying notes to the basic financial statements

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**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019**

OPERATING REVENUES:

Interest		\$	95
Total Operating Revenues		\$	95

OPERATING EXPENSES:

Christmas Parade/Summer Fest			2,500
Insurance			1,574
Development Costs			26,156
Accounting/Auditing			14,940
Other General Administration			621
Total Operating Expenses			45,791
Operating Loss			(45,696)

NONOPERATING REVENUES (EXPENSES):

Restricted Interest			22,886
Lease Payments Revenues			1,235,431
Tax Incremental Revenue - Village of Mt. Orab			51,819
Interest Expense			(947,331)
Total Nonoperating Revenues (Expenses)			362,805

CHANGE IN NET POSITION

			317,109
Net Position Beginning of Year			(12,301,240)
Net Position End of Year		\$	(11,984,131)

See accompanying notes to the basic financial statements

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**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash flows from operating activities:	
Cash payments to supplier for goods and services	\$ (49,763)
Cash received from other sources	95
Net cash used for operating activities	(49,668)
 Cash flows from capital related activities:	
Lease Payments	1,235,431
Tax Incremental Revenues	51,819
Interest expense	(912,250)
Principal paid on bonds	(375,000)
Net cash used for capital related activities	-
 Cash flows from investing activities:	
Interest received	22,886
Net cash provided by investing activities	22,886
Net Decrease in Cash and Cash Equivalents	(26,782)
Cash and cash equivalents at beginning of year	1,135,012
Cash and cash equivalents at end of year	\$ 1,108,230
 Reconciliation of operating loss to net cash used for operating activities	
Operating Loss	(45,696)
Adjustments to reconcile operating loss to net cash used for operating activities	
Decrease in Accounts Payable	(3,972)
Net cash used for operating activities	\$ (49,668)

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, 2019***

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, 2019***

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, 2019***

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 2019 was \$95 with the restricted cash trust account receiving \$22,886.

During 2019, 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 2019 in relation to the debt service payments due.

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019***

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital assets and depreciation

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

H. Accrued Liabilities and Long-Term Obligations

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

I. 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 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, 2019***

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 \$176,044 and the bank balance was \$176,044. 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, 2019.

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, 2019, the Port Authority had \$932,186 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, 2019

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Increases	Decreases	Balance 12/31/2019
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, 2019 (latest available information) the outstanding balance was \$861,963. 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, 2019

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 2019 were as follows:

	Balance 12/31/18	Increase	Decrease	Balance 12/31/19	Due within one year
Lease Revenue Bonds – 2015	\$10,775,000	\$0	\$350,000	\$10,425,000	\$370,000
Discount	(473,387)	0	26,299	(447,088)	0
TIF Revenue Bonds – 2015	3,440,000	0	25,000	3,415,000	25,000
Discount	(237,127)	0	8,782	(228,345)	0
Total	\$13,504,486	\$0	\$410,081	\$13,164,567	\$395,000

SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

8. LONG TERM BOND PAYABLES (continued)

Years	Lease Revenue Bonds		
	Principal	Interest	Total
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	460,000	571,274	1,031,274
2025-2029	2,750,000	2,407,276	5,157,276
2030-2034	3,740,000	1,421,548	5,161,548
2035-2036	1,870,000	191,360	2,061,360
Totals	\$10,425,000	\$7,113,458	\$17,538,458

Years	TIF Revenue Bonds		
	Principal	Interest	Total
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	50,000	218,250	268,250
2025-2029	340,000	1,037,186	1,377,186
2030-2034	540,000	905,924	1,445,924
2035-2039	825,000	696,850	1,521,850
2040-2044	1,210,000	374,874	1,584,874
2045	310,000	21,700	331,700
Totals	\$3,415,000	\$4,151,222	\$7,566,222

***SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019***

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 2019, the development had five different auto brands located on site that employed an average of 46 people.

During 2019, the Port Authority spent \$13,550 for the mega site environmental work and historical evaluation on a cash basis during fiscal year 2019. 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 2019:

GASB Statement No. 84 “Fiduciary Activities”. The Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial report purposes and how those activities should be reported. The implementation of this pronouncement had no effect on net position as reported December 31, 2018.

11. SUBSEQUENT EVENTS

In February 2020, the Port Authority entered into an agreement with Union Township, Clermont County, to refinance certain debt obligations for the Township to receive a favorable rate. The Port Authority received \$10,000 from the initial transaction.

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 the COVID-19 and the ensuing emergency measures will impact subsequent periods of the Port Authority. The Port Authority’s investment portfolio has 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 will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Port Authority’s future operating costs, revenues and recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
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
750 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 Authority) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 22, 2021 wherein we noted the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 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 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 2020-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the 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 financial statement. 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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

Authority's Response to Findings

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

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



Keith Faber
Auditor of State
Columbus, Ohio
November 22, 2021

**SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Authority's Mt. Orab Auto Mall Project had expenditures in excess of appropriations of \$5,001 as of December 31, 2020.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Treasurer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

The Authority did not budget for the trustee fees associated with the two accounts. This resulted in the expenditures exceeding appropriations by that amount. The Authority will include all costs associated with the accounts in the future.

FINDING NUMBER 2020-002

Material Weakness

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.

For 2020, we identified a debt interest payment of \$113,500 which was incorrectly classified as principal payment.

The financial statements have been adjusted for this error.

The Authority did not have procedures in place for effective monitoring of the Authority's financial activity, and the accuracy of accounting and financial reporting. 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 Authority should exercise due care when posting entries to the financial records and in financial statement preparation to prevent errors and to assist in properly reflecting the Authority's financial activity.

**FINDING NUMBER 2020-002
(Continued)**

Officials' Response:

The Authority agrees with the comment and will verify the posting of entries to the amortization schedule for future periods to ensure the correct allocation between principal and interest.

Southwest Ohio Regional Development Authority

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Financial reporting errors	Not Corrected	Reissued as 2020-002

OHIO AUDITOR OF STATE KEITH FABER



SOUTHWEST OHIO REGIONAL DEVELOPMENT AUTHORITY

BROWN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/7/2021

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