



OHIO AUDITOR OF STATE
KEITH FABER



**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY
DECEMBER 31, 2020**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Statement of Fiduciary Net Position	12
Statement of Changes in Fiduciary Net Position	13
Notes to the Basic Financial Statements	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
Schedule of Findings	47

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Warren County Port Authority
Warren County
406 Justice Drive, Suite 301
Lebanon, Ohio 45036

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Warren County Port Authority, Warren County, Ohio (the Port Authority), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Port Authority, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 10 to the financial statements, during 2020, the Port Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Also, as discussed in Note 9 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Port Authority. We did not modify our opinion regarding these matters.

Other Matter

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 September 28, 2021, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
September 28, 2021

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)

The discussion and analysis of the Warren County Port Authority's (the "Port Authority") financial performance provides an overall review of the financial activities as of and for the year ended December 31, 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 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:

- 2020 provided the Port Authority with \$891,029 (up from \$463,139 for fiscal year 2019) in current year recognized administrative fees and rental income from projects. The Port Authority now has seventeen bond issues outstanding in the Ohio Communities Accelerator fund that generates annual revenue as well. The Port Authority was also involved in several other projects during the year that brought in additional cash support. The largest transaction was from a lease transaction with the Madison County's West Jefferson Project resulting in a cash increase of \$149,000.
- The ending unrestricted cash and cash equivalents balance was \$1,815,040, which is an increase from the 2019 ending balance of \$1,517,476. The Board designated \$796,685 of those funds to evaluate development options.
- Operating expenses less depreciation were \$457,432, which is down from the 2019 amount of \$549,753. Intergovernmental expenses included the annual administrative cost paid to Warren County and a revenue sharing payment to Madison County.
- The local nonoperating contributions are related to lodging taxes to pay for the enterprise portion of the Sports Complex financing and monies provided by Warren County to finance the Fairgrounds event center.
- The Port Authority had four debt financings run through the Ohio Communities Accelerator Bond Fund during 2020 totaling \$19,165,000.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)

Using this Financial Report

This financial report contains the basic financial statements of the Port Authority, as well as the MD&A and notes to the basic financial statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, a statement of cash flows, a statement of fiduciary net position and a statement of changes in fiduciary net position. As the Port Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported (non-fiduciary) as one activity, therefore, the entity wide and fund presentation information are the same.

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, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term debt, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

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

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

Unrestricted Net Position: Consists of net position that does not meet the definition of “Investment in Capital Assets” or “Restricted Net Position”.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)

Table 1 provides a comparison of the Port Authority's net position for 2019 and 2020.

Table 1 - Net Position

	<u>2019</u>	<u>2020</u>
Assets:		
Current assets	\$3,558,224	\$2,652,338
Intergovernmental receivable – long term	11,472,372	10,474,900
Capital assets, net depreciation	<u>18,737,549</u>	<u>18,763,586</u>
Total Assets	<u>33,768,145</u>	<u>31,890,824</u>
Liabilities:		
Current liabilities	1,700,107	745,386
Long-term liabilities	<u>9,113,047</u>	<u>8,797,487</u>
Total Liabilities	<u>10,813,154</u>	<u>9,542,873</u>
Deferred Inflows of Resources	<u>11,972,472</u>	<u>10,972,272</u>
Net Position:		
Net Investment in Capital Assets	10,987,579	11,243,586
Restricted for Debt Service	139	246,375
Restricted for Capital Projects	94,447	5,000
Unrestricted	<u>(99,646)</u>	<u>(119,282)</u>
Total Net Position	<u>\$10,982,519</u>	<u>\$11,375,679</u>

The Port Authority saw significant changes in 2020. The Port Authority completed several bond fund financings and three larger conduit bond issuances that allowed the unrestricted cash balance to increase almost \$300,000. The Port Authority is also the owner of the sports complex with the asset reported as land improvements making up the largest part of the capital assets and was depreciated for the first year since the facility opened in 2020.

The current liabilities dropped because of the outstanding payables related to the fairgrounds project between the various contracts and retainage payable in 2019. Long term liabilities decreased as principal was paid on sports complex financing during 2020.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)

Table 2 compares the changes in net position for the years 2019 and 2020.

Table 2 - Changes in Net Position

	2019	2020
Operating Revenues:		
Administrative Fees and Rental	\$463,139	\$891,029
Other Revenues	50,475	63,147
Total Operating Revenues	513,614	954,176
Operating Expenses:		
Legal fees	63,590	96,471
Accounting and Auditing	13,169	12,707
Professional Services	98,273	95,520
Other General Administration	131,342	53,631
Insurance	5,612	1,980
Other	74,571	42,617
Intergovernmental	163,196	154,506
Depreciation	62,425	497,126
Total Operating Expenses	612,178	954,558
Operating (Loss)	(98,564)	(382)
Nonoperating Revenues (Expenses):		
Interest Revenue	58,909	4,575
Local Contributions - nonoperating	4,363,492	2,816,703
Fairgrounds project expenses	(2,249,267)	(936,797)
Interest and Trustee Expenses	(267,176)	(261,956)
Total Nonoperating Revenues (Expenses)	1,905,958	1,622,525
Special item	(1,675)	(1,187,689)
Change in Net Position	1,805,719	434,454
Net Position, Beginning of Year	9,176,800	10,982,519
Restatement - GASB No. 84	0	(41,294)
Net Position, End of Year	\$10,982,519	\$11,375,679

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)

As stated earlier, the Port Authority saw administrative fee activity increase compared to the prior year as the Port Authority received fees from four different projects in fiscal year 2019 compared to five new projects in fiscal year 2020. The Port Authority recognizes one-tenth of the cash fee received in fiscal year 2013 from the Miami Valley Gaming project as well as partial recognition of several other projects completed before 2020, which accounts for \$262,093 of the 2020 admin fees reported. Although for reporting purposes the Port Authority defers the administrative fees over the life of the agreement, the cash is available for operating purposes upon receipt of the funds. The Port Authority received \$295,553 on a cash basis for administrative fees on these projects.

The Port Authority's expenses increased in fiscal year 2020. Intergovernmental expenses were higher in 2019 due to a revenue sharing payment with Preble County on the Henny Penny deal although 2020 had a similar arrangement with Madison County. The Port Authority also continues to pay an annual administrative fee to Warren County for use of the economic development department. Additional legal expenses reported in 2020 relate to the number of project financings exceeded what was reported for 2019. The depreciation expense jumped up as 2020 was the first year the Sport Complex was depreciated. The Port Authority also reports non-operating revenue of \$805,000 and non-operating expenses of \$936,797 related to construction of the Fairgrounds event center. The Port Authority is running the project on behalf of the Warren County Agricultural Society and Warren County Commission.

Capital Assets and Debt

The Port Authority recognized net capital assets of \$18,763,586 as of December 31, 2020. For more information on the Port Authority's depreciable capital assets, net, see Note 4. The Port Authority reports a portion of sports complex financing in the operating account and a portion Ohio Communities Accelerator Fund. The Ohio Communities Accelerator Fund now reports a total of seventeen bond financing with an outstanding balance of \$67,680,000 at December 31, 2020. For more information on the Port Authority's debt, see Note 6.

Economic Impact

Although the Port Authority has no tax basis on which to draw revenues, the Port Authority has positioned itself as a viable option to assist Warren County business and even some businesses outside of Warren County with agreements to provide assistance in Preble and Darke counties. The Port Authority has several financing options that assist in development of projects including the sales tax exemption possibility. The Port Authority will continue to evaluate projects to insure they are producing consistent revenue to cover any obligations the Port Authority is associated with in the future. The Port Authority has assisted small businesses by hosting the Warren County SBDC and creating 91 jobs, retaining 159 jobs, starting 17 new businesses for \$9,800,000 in capital impact and also through advocacy efforts of the Warren County Chamber Alliance for calendar year 2020. This allows the Port Authority to be full circle in its' efforts to serve large and small businesses within southwest Ohio.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)

For fiscal year 2020, the Port Authority had the following economic impact. The Port Authority issued \$19,165,000 through the Ohio Communities Accelerator Fund.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Warren County Port Authority and to show the Port Authority's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Warren County Port Authority, 406 Justice Drive, Lebanon, Ohio 45036 or by calling (513) 695-2090.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2020

ASSETS:

CURRENT ASSETS:	
Cash and Cash Equivalents	\$ 1,815,040
Restricted Cash and Cash Equivalents	296,561
Accounts Receivable	43,365
Intergovernmental Receivable	497,372
TOTAL CURRENT ASSETS	<u>2,652,338</u>
NONCURRENT ASSETS:	
Intergovernmental Receivable	10,474,900
Nondepreciable Capital Assets, Net	212,120
Depreciable Capital Assets, Net	18,551,466
TOTAL NONCURRENT ASSETS	<u>29,238,486</u>
TOTAL ASSETS	<u>31,890,824</u>

LIABILITIES:

CURRENT LIABILITIES:	
Accounts Payable	170,227
Accrued Interest Payable	21,056
Unearned Revenue - Short Term	319,103
Special Obligation Bonds - Due in One Year	235,000
TOTAL CURRENT LIABILITIES	<u>745,386</u>
LONG TERM LIABILITIES:	
Unearned Revenue - Long Term	1,512,487
Special Obligation Bonds	7,285,000
TOTAL LONG TERM LIABILITIES	<u>8,797,487</u>
TOTAL LIABILITIES	<u>9,542,873</u>

DEFERRED INFLOWS OF RESOURCES:

Intergovernmental	<u>10,972,272</u>
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NET POSITION:

Net Investment in Capital Assets	11,243,586
Restricted for Debt Service	246,375
Restricted for Capital Projects	5,000
Unrestricted (Deficit)	<u>(119,282)</u>

TOTAL NET POSITION	<u>\$ 11,375,679</u>
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See accompanying notes to the basic financial statements

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

OPERATING REVENUES:

Administrative Fees	\$	891,029
Local Government Receipts		32,407
Other Revenues		<u>30,740</u>
Total Operating Revenues		<u>954,176</u>

OPERATING EXPENSES:

Insurance		1,980
Legal Fees		96,471
Accounting and Auditing		12,707
Professional Services		95,520
Other General Administration		53,631
Intergovernmental		154,506
Other		42,617
Depreciation		<u>497,126</u>
Total Operating Expenses		<u>954,558</u>
Operating Loss		<u>(382)</u>

NONOPERATING REVENUES (EXPENSES):

Interest Revenue		4,575
Local Contributions - nonoperating		2,816,703
Fairground project expenses		(936,797)
Interest and Trustee Expenses		<u>(261,956)</u>
Nonoperating Revenues/Expenses, Net		<u>1,622,525</u>

INCOME BEFORE SPECIAL ITEM

1,622,143

Special item - net impact of bond fund transfers

(1,187,689)

CHANGE IN NET POSITION

434,454

Net Position, Beginning of Year - Restated

10,941,225

Net Position, End of Year

\$ 11,375,679

See accompanying notes to the basic financial statements

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Cash flows from operating activities:	
Cash received from customers	\$ 906,246
Cash received from Chamber Alliance members	32,407
Cash payments to supplier for goods and services	(964,123)
Cash payments to local governments for project and other related costs	(197,000)
Cash paid on behalf of Chamber Alliance	(33,500)
Other miscellaneous revenue	30,740
Net cash used for operating activities	<u>(225,230)</u>
Cash flows from noncapital financing activities:	
Local Contributions	2,722,070
Fairground project expenses	(1,174,169)
Cash payments for scholarships	(56,200)
Net cash provided by noncapital financing activities	<u>1,491,701</u>
Cash Flows from capital and related financing activities:	
Local Contributions	925,715
Port Authority transfers to the Ohio Communities Bond Fund	(1,187,689)
Acquisition and Construction of Capital Assets	(523,163)
Principal Paid on Project Improvement Bonds	(230,000)
Interest Paid on All Debt	(262,600)
Net cash used by capital and related financing activities	<u>(1,277,737)</u>
Cash flows from investing activities:	
Net Interest received	<u>4,575</u>
Net cash provided by investing activities	<u>4,575</u>
Net Decrease in Cash and Cash Equivalents	(6,691)
Cash and cash equivalents at beginning of year - Restated	<u>2,118,292</u>
Cash and cash equivalents at end of year	<u>\$ 2,111,601</u>
Reconciliation of operating loss to net cash used for operating activities	
Operating Loss	\$ (382)
Depreciation	497,126
Adjustments to reconcile operating loss to net cash used for operating activities	
Decrease in Accounts Receivable	38,767
Decrease in Accounts Payable	(730,802)
Decrease in Retainage Payable	(6,389)
Decrease in Unearned Revenue	(23,550)
Net cash used for operating activities	<u>\$ (225,230)</u>

See accompanying notes to the basic financial statements

Note: The accounts payable includes \$73,118 of non-operating expenses

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2020**

Assets:	
Restricted Cash and Cash Equivalents	\$ 38,471
Cash and Investments in Restricted Trust Accounts	23,564,008
Intergovernmental Receivable	<u>101,869,031</u>
 Total Assets	 <u>125,471,510</u>
Liabilities:	
Interest and Fees Payable	38,325,657
Revenue Bonds Payable - Due in One Year	3,355,000
Revenue Bonds Payable - Due over One Year	<u>64,293,463</u>
 Total Liabilities	 <u>105,974,120</u>
Net Position:	
Restricted (Deficit)	<u><u>\$ 19,497,390</u></u>

See accompanying notes to the basic financial statements

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
FOR THE YEAR FISCAL YEAR ENDED DECEMBER 31, 2020**

	Ohio Communities Accelerator Fund	Warren County Small Business Development Association	Total Custodial Funds
<u>Additions:</u>			
Local contributions	\$ 19,904,656	\$ 206,921	\$ 20,111,577
Additional reserve funding	261,835	-	261,835
Interest income	334,506	86	334,592
Total Additions	<u>20,500,997</u>	<u>207,007</u>	<u>20,708,004</u>
<u>Deductions:</u>			
Professional services	53,980	-	53,980
Project distributions	12,466,291	-	12,466,291
Intergovernmental payments	365,187	209,830	575,017
Payment on 2019 Conduit Development Bonds	2,668,837	-	2,668,837
Interest and fiscal charges	106,380	-	106,380
Bond issuance costs	803,784	-	803,784
Total Deductions	<u>16,464,459</u>	<u>209,830</u>	<u>16,674,289</u>
Net Increase (Decrease) in Fiduciary Net Position	4,036,538	(2,823)	4,033,715
Beginning Net Position - Restated	15,422,381	41,294	15,463,675
Ending Net Position	<u>\$ 19,458,919</u>	<u>\$ 38,471</u>	<u>\$ 19,497,390</u>

See accompanying notes to the basic financial statements

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WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. DESCRIPTION OF THE REPORTING ENTITY

The Warren County Port Authority (the “Port Authority”) is a body, corporate and politic, established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority was established in February 2007 pursuant to section 4582.22 of the Ohio Revised Code by resolution of Warren County. The seven voting member Board of Directors directs the Port Authority.

The Port Authority provides services that are enumerated in Sections 4582.21 to 4582.29 of the Ohio Revised Code. The services include but are not limited to the power to purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus: an Amendment of GASB Statements No. 14 and 34*, in that the financial statements include all divisions and operations for which the Port Authority is financially accountable. Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization’s governing board; and (1) the Port Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Port Authority is legally entitled to or can otherwise assume the responsibility to finance the deficits of, or provide financial support to, the organizations; or the Port Authority is obligated for the debt of the organization. Component units may also include organizations for which the Port Authority authorizes the issuance of debt or the levying of taxes, or determines the budget. On this basis, no governmental organization other than the Port Authority itself is included in the financial reporting entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements of Warren County Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Port Authority’s accounting policies are described below.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

As defined by GAAP, the fiduciary fund category is split into four classifications: private purpose trust funds, pension trust funds, investment trust funds and custodial funds. The Port Authority maintains two fiduciary custodial funds for its projects that are issued through the Ohio Communities Accelerator Fund (the "Bond Fund") and the fiduciary relationship the Port Authority has with the Warren County Small Business Development Association. The Ohio Communities Accelerator Fund was established in 2018 for the purpose of pooling common reserves for debt issuances at lower interest rates for other governmental and non-governmental entities.

Examples of such projects are Park North, Chelsea Mall, South Lebanon/Rivers Crossing Refunding, Monroe Special Assessment Bonds, Sports Park at Union Village, Racino, Franklin Wastewater, Middletown PACE, West Milton, Springboro's Fiber Optic project, Clearcreek Township project that includes a new police building, road equipment/maintenance buildings and improvements to the administrative building and refinancing certain Warren County issues.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities and deferred inflows of resources are included on the statement of net position. Equity (i.e., net position) consists of retained earnings. The statement of revenues, expenses and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Port Authority's custodial fund uses the economic resources measurement focus for the results of operations.

C. Budgetary Data

Ohio Revised Code Section 4582.13 requires that the Port Authority annually prepare a budget. No further approvals or actions are required under Section 4582.13 of the Ohio Revised Code.

D. Cash and Cash Equivalents

The Port Authority maintains a cash management program whereby cash is deposited with banking institutions in Warren County. The agreements restrict activity to certain deposits. These deposits are stated at cost which approximates fair value. Investment procedures are restricted by the provisions of the Ohio Revised Code.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with original maturities of three months or less and funds within the cash management pool are considered to be cash equivalents. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. During fiscal year 2020, the Port Authority invested in money market funds, certificates of deposit, U.S Treasury bills, commercial paper and federal agency securities. Except for the money market fund, investments are reported at fair value which is based on the fund's quoted market prices. For investments in money market funds, the fair value is determined by the fund's current share price.

Interest revenue earned during 2020 was \$4,575 in the enterprise fund and \$334,592 in the custodial funds.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Restricted Cash and Investments

The Port Authority holds various deposits and investments in trust, in accordance with the provision of its bond agreements, to fund debt service requirements and certain capital projects. The balance held in restricted cash accounts is \$296,561 (enterprise) and \$23,564,008 (fiduciary) as of December 31, 2020.

The Port Authority holds funds for third party entities for which the Port Authority functions as the finance department. These funds are those of the third-party entities and are recorded as a restricted asset on the Port Authority's fiduciary financial statements. The amount held by the Port Authority as of December 31, 2020 was \$38,471.

F. Capital Assets

Capital assets generally result from expenses related to construction projects. These assets are reported on the statement of net position. All capital assets are reported at cost (or estimated historical cost) and updated for additions and deletions during the year. The Port Authority capitalizes improvements related to construction projects as construction in progress. The Port Authority depreciates land improvements on a straight-line basis over a forty-year period. The Port Authority has no capital asset policy and has no other reported capital assets.

G. Intergovernmental Receivable

Receivables on the Port Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable systematic method of determining their existence, completeness, valuation and collectability. The Port Authority did have an intergovernmental receivable as of December 31, 2020, from Warren County in connection with the special obligation bonds payable from the one percent lodging tax related to the non-Bond Fund debt.

The Port Authority reports an intergovernmental receivable in the Custodial Ohio Communities Accelerator Fund for the principal and interest payments due on the various deals that are secured through a local government revenue source.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Operating and Nonoperating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Port Authority's primary mission. For the Port Authority, operating revenues include intergovernmental contributions to fund legislative activities or administrative fees earned in connection with the projects. Operating expenses are necessary costs incurred to support the Port Authority's primary mission, including depreciation.

Nonoperating revenues and expenses are those that are not generated directly by the Port Authority's primary mission. Local government contributions, interest income, bond interest and trustee expenses, and Fairground project expenses comprise the nonoperating revenues and expenses of the Port Authority.

I. Accrued Liabilities

In general, payables and accrued liabilities are reported as obligations regardless of whether they will be liquidated with current resources. Long-term debt amounts are reported as a liability on the statement of net position.

J. Net Position

Net position represents the difference between assets, deferred inflow of resources and liabilities. Net Investment in Capital Assets consists of all capital assets, reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Unearned Revenue

The Port Authority reports administrative fees earned initially on a project as unearned revenue for future periods if the Port Authority has a lease agreement with the respective company. The unearned revenue reported for fiscal year 2020 consists of administrative fees earned in current and prior fiscal years amortized over the remaining life of the lease agreements.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. 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 an inflow of resources (revenue) until that time. For the Port Authority, deferred inflows of resources include hotel and motel taxes earmarked to pay for debt service payments by the Port Authority. This amount is deferred and recognized as an inflow of resources in the period the amounts become available.

M. Estimates and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Subsequent Events

The Port Authority has evaluated subsequent events for potential recognition and disclosure through the date of this report.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. The Port Authority reports a special item during 2020 for transferring additional bond fund reserves into the fiduciary bond fund.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Conduit Debt

The Port Authority issues conduit debt on behalf of other entities, whether public entities or private companies, whether taxable or tax exempt. The Port Authority is contractually protected from liability related to these issues. For the purposes of the financial statements, the various conduit debts of the Port Authority are classified in one of two manners, depending on applicable accounting rules. First, a completely “off book” issuance where the Port Authority has issued the debt in name only on behalf of a private company, or organization. These are disclosed within Note 7. Second, bond issuances that involve a lease receivable where the company or organization is responsible for making payments to a trustee for payment of principal, interest and related fees on debt issued in the Port Authority’s name. These are disclosed in Notes 7 and 8 and reported within the Fiduciary Fund statements.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon 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.

Inactive deposits are public deposits that the Board of Directors have identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than five years from the date of deposit or by savings accounts, including passbook accounts.

Interim monies may be deposited or invested in the following securities:

- United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3. DEPOSITS AND INVESTMENTS (continued)

- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Bond and other obligations of the State of Ohio and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions for the State of Ohio, if training requirements have been met;
- No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasurer's investment pool (STAR Ohio);
- Certain banker's acceptances and commercial paper notes in an amount not to exceed one hundred eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time if training requirements have been met; and,
- Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Protection of the Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3. DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At fiscal year end, the carrying value of the Port Authority’s deposits on the statement of net position was \$1,933,104 and the bank balance was \$2,037,384. \$250,000 of the Port Authority’s deposits was insured by federal depository insurance with the remaining \$1,787,384 being collateralized by the Ohio Pooled Collateral System.

The Port Authority has a \$38,471 carrying value of deposits held in the custodial accounts is related to Warren County Small Business Development Association as the cash and investments in restricted trust accounts presented on the statement of fiduciary net position is considered invested for reporting purposes. None of the \$38,471 was insured by federal depository insurance but was collateralized by the Ohio Pooled Collateral System.

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 two percent of the deposits being secured.

Investments

As of December 31, 2020, the Port Authority had the following investments reported in the enterprise fund:

	<u>Fair Value</u>	<u>Using</u>	<u>Maturity</u>	<u>Rating</u>	<u>Credit Risk</u>
Money Market Account	\$ 178,497	Level 1	0.10	AAAm	100.00%

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3. DEPOSITS AND INVESTMENTS (continued)

As of December 31, 2020, the Port Authority had the following investments reported in the custodial fund:

	Fair Value	Using	Maturity	Rating	Credit Risk
Commercial Paper	\$ 347,262	Level 2	0.60	AAA	1.47%
Federal Farm Credit Corporation Notes	1,072,180	Level 2	10.80	AAA	4.55%
Federal Home Loan Banks Notes	3,966,761	Level 2	6.40	AAA	16.83%
Federal Home Loan Mortgage Corporation Notes	299,309	Level 2	8.40	AAA	1.27%
Certificates of Deposit	2,420,661	Level 2	1.10	AAA	10.27%
Money Market Account	15,457,835	Level 1	0.10	AAA	65.61%
Totals	<u>\$23,564,008</u>				

Fair Value Measurement - Fair value as defined by GASB Statement No. 72 requires the Port Authority to apply valuation techniques that best represent fair value in the circumstances-market approach, cost approach and income approach. The following are the levels for which inputs can be measured. Level 1 – quoted prices (unadjusted) in active markets for identical assets/liabilities (most reliable); Level 2 – quoted prices for similar assets/liabilities, quoted price for identical assets/liabilities or similar assets/liabilities in markets that are not active, or other quoted prices that are observable; and Level 3 – unobservable inputs (least reliable).

Interest Rate Risk - The Port Authority has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Port Authority, and that an investment must be purchased with the expectation that it will be held to maturity. The Port Authority’s investment policy allows investments in the bond fund reserves to match the debt obligation maturity since those reserves are intended to retire the final year(s) of principal maturities.

Credit Risk - The Port Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3. DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk - The Port Authority places no limit on the amount it may invest in any one issuer.

4. CAPITAL ASSETS

A summary of the changes in capital assets during the year ended December 31, 2020, follows:

	Balance 12/31/2019	Increases	Decreases	Balance 12/31/2020
Capital Assets, not depreciated				
Land	\$212,120	\$0	\$0	\$212,120
Construction in progress	16,652,739	523,163	(17,175,902)	0
Capital Assets, being depreciated				
Land Improvements – Retention Pond	2,496,940	0	0	2,496,940
Land Improvements – Sports Complex	0	17,175,902	0	17,175,902
Accumulated Depreciation	(624,250)	(497,126)	0	(1,121,376)
Capital Assets, Net	<u>\$18,737,549</u>	<u>\$17,201,939</u>	<u>(\$17,175,902)</u>	<u>\$18,763,586</u>

5. RISK MANAGEMENT

The Port Authority is covered by public official liability insurance with Cincinnati Indemnity Company. Coverage with a private carrier provides bonding, liability insurance on the \$1,000,000 maximum per claim and in aggregate. There is no general liability coverage as the Port Authority does not maintain a separate place of business or have employees to insure although the Port Authority does pick up specific insurance coverage for events or locations through the Cincinnati Indemnity Company.

Settled claims have not exceeded commercial insurance coverage in any of the past three years and there was no significant change in insurance coverage from the prior year.

6. LONG-TERM OBLIGATIONS

A summary of the changes in long-term obligations in the enterprise fund during the year ended December 31, 2020 follows:

	Balance 12/31/2019	Increase	Decrease	Balance 12/31/2020	Due within one year
Revenue Special Obligation Bonds	\$7,750,000	\$0	\$230,000	\$7,520,000	\$235,000

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

6. LONG-TERM OBLIGATIONS (continued)

The revenue special obligation bonds were issued at a fixed interest rate of 3.36 percent on September 29, 2017. The debt was issued for the purpose of constructing a sports complex along State Route 741 in western Warren County. The bonds payments are backed by the hotel tax in Warren County collected through the Convention and Visitor's Bureau. During 2018, the bonds were refunded to move a portion of the bonds to the Port Authority's Bond Fund with the remaining amount as an enterprise fund obligation. The bonds mature on December 1, 2042.

A summary of the changes in long-term obligations in the custodial fund during the year ended December 31, 2020 follows:

	Balance			Balance	Due within
	12/31/2019	Increase	Decrease	12/31/2020	one year
1 - Refunded Project Improvement Bonds	\$10,250,000	\$0	\$515,000	\$9,735,000	\$535,000
2 - Refunded Special Obligations Bonds	3,505,000	0	350,000	3,155,000	355,000
3 - Revenue Special Obligation Bonds	7,150,000	0	210,000	6,940,000	220,000
4 - Refunded Project Improvement Bonds	1,100,000	0	230,000	870,000	235,000
5 - Refunded Special Obligation Bonds	8,185,000	0	290,000	7,895,000	305,000
6 - Special Assessment Revenue Bonds	2,685,000	0	25,000	2,660,000	75,000
7 - Special Obligation Revenue Bonds	8,295,000	0	155,000	8,140,000	160,000
8 - Various Purpose Bonds 2019A	1,785,000	0	160,000	1,625,000	160,000
9 - Various Purpose Bonds 2019B	1,535,000	0	315,000	1,220,000	325,000
10 - PACE Revenue Bonds 2019C	390,000	0	35,000	355,000	30,000
11 - Public Infrastructure Revenue Bonds	5,975,000	0	0	5,975,000	0
12 - Special Obligation Revenue Bonds	0	1,750,000	55,000	1,695,000	80,000
13 - Special Obligation Revenue Bonds	0	3,485,000	0	3,485,000	595,000
14 - Special Obligation Revenue Bonds	0	8,600,000	0	8,600,000	280,000
Discounts on Bond Issue	0	(110,512)	0	(110,512)	
15 - Special Obligation Revenue Bonds	0	5,330,000	0	5,330,000	0
Premium on Bond Issue		78,975	0	78,975	
Total	\$50,855,000	\$19,133,463	\$2,097,000	\$67,648,463	\$3,355,000

- 1- The project improvement bonds were issued in November 2017 to refund the original debt from 2008. The debt was issued for the purpose of constructing street improvements, utilities and a storm water control system in a commercial development. The bonds are repaid through tax increment financing revenue and special assessment revenue deposited by the City of Monroe with Huntington Bank. The bonds mature on December 1, 2034 and have an interest rate of 4.0%.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

6. LONG-TERM OBLIGATIONS (continued)

- 2- The special obligation bonds were issued in November 2017 to refund the original debt from 2009. The debt was issued for the purpose of constructing street improvements around a new retail development in the western portion of Warren County. The bonds are repaid through tax increment financing revenue generated by the Chelsea Mall project deposited by the City of Monroe with Huntington Bank. The bonds mature on December 1, 2028 and have an interest rate of 2.75%.
- 3- The revenue special obligation bonds were issued in June 2018 to refund the original debt from 2017. The debt is issued for the purpose of constructing a sports complex along State Route 741 in western Warren County. The bonds payments are backed by the hotel tax in Warren County collected through the Convention and Visitor's Bureau with a portion remaining as an enterprise fund obligation. These funds were deposited by the Port Authority with Huntington Bank. The bonds mature on December 1, 2042 and have an interest rate of 3.36%.
- 4- The project improvement bonds were issued in August 2018 to refund the original debt issued by Warren County as part of the Miami Valley Gaming & Racing project. The debt was issued for public infrastructure improvements necessary for the project. The bonds are repaid through tax increment financing deposited by Warren County with Huntington Bank. The bonds mature on December 1, 2023 and have an interest rate of 3.20%.
- 5- The refunded special obligations bonds were issued in October 2018 to refund the original debt issued by South Lebanon as part of the Rivers Crossing commercial development project. The bonds are repaid through tax increment financing deposited by South Lebanon with Huntington Bank. The bonds mature on December 1, 2036 and have an interest rate of 4.71%.
- 6- The special assessment revenue bonds were issued in November 2018 to help finance the roadways for a new development in the City of Monroe to the northwest of State Route 63 and Union Road. The bonds are repaid through a special assessment levied against the property owners that benefit from the improvements. The funds are deposited by the City of Monroe with Huntington Bank. The bonds mature on June 1, 2040 and have an interest rate of 5.75%.
- 7- The special obligation revenue bonds were issued bonds in December 2018 to help finance the plant improvements and refinance prior debt the Franklin Area Wastewater District (the "District") had outstanding. The Port Authority issued \$1,790,000 as taxable bonds and \$6,645,000 as tax exempt bonds. The District is responsible for depositing the monthly requirement with Huntington Bank from the charges to customers. The bonds mature on December 1, 2028 for the taxable portion and December 1, 2048 for the tax exempt portion and have an interest rate of 3.08% to 5.25%.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

6. LONG-TERM OBLIGATIONS (continued)

- 8- The various purpose refunding bonds were issued in May 2019 to refund the original debt issued by Warren County for various special assessment projects. The bonds are repaid through special assessment revenues deposited by Warren County with Huntington Bank. The bonds mature on December 1, 2028 and have an interest rate of 2.57%.
- 9- The various purpose refunding bonds were issued in May 2019 to refund the original debt issued by Warren County for various special assessment projects. The bonds are repaid through special assessment revenues deposited by Warren County with Huntington Bank. The bonds mature on December 1, 2027 and have an interest rate of 2.57%.
- 10- The PACE revenues bonds were issued in June 2019 to help finance energy improvements at the CBI Middletown Project. The bonds are repaid through special assessment revenues deposited by City of Middletown with Huntington Bank. The bonds mature on December 1, 2029 and have an interest rate of 3.09%.
- 11- The public infrastructure bonds were issued in November 2019 to finance the West Milton Stillwater Crossings Project. The bonds are repaid through TIF revenues deposited by West Milton with Huntington Bank. The bonds mature on December 1, 2052 and have an interest rate of 4.00% to 5.00%. \$2,656,000 of this issue was refunded with the new bond fund issuance during December 2020 titled 2020D.
- 12- The special obligation revenue bonds were issued bonds in March 2020 to assist the Warren County Community Services (the "WCCS") refinance prior debt and provided additional funds for the agency. The Port Authority issued \$1,750,000 as tax exempt bonds. The WCCS is responsible for semi-annual payments for the debt payments. The bonds mature on December 1, 2029 and have an average interest rate of 2.39%.
- 13- The special obligation revenue bonds were issued bonds in October 2020 to assist the City of Springboro with their fiber optic project throughout the City. The Port Authority issued \$3,485,000 as tax exempt bonds. The City is responsible for semi-annual payments for the debt payments. The bonds mature on December 1, 2025 and have an average interest rate of 2.29%.
- 14- The special obligation revenue bonds were issued bonds in November 2020 to assist Clearcreek Township with construction of a new police building, new road equipment building, road maintenance building renovations and renovations to the current administration building. The Port Authority issued \$8,600,000 as tax exempt bonds. The Township is responsible for semi-annual payments for the debt payments. The bonds mature on December 1, 2040 and have an average interest rate of 3.12%.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

6. LONG-TERM OBLIGATIONS (continued)

- 15- The special obligation revenue bonds were issued bonds in December 2020 to for phase 2 of the Sawyer’s Mill project and to refinance \$2,656,000 of the 2019 tax exempt bond issuance. The Port Authority issued \$1,485,000 as taxable bonds and \$3,845,000 as tax exempt bonds. West Milton is responsible for semi-annual payments for the debt payments. The bonds mature on December 1, 2052 and have an average interest rate of 3.99%.

The following are schedules of future debt service requirements to maturity as of December 31, 2020 for the enterprise fund:

Years	Principal	Interest	Total
2021	\$235,000	\$252,672	\$487,672
2022	245,000	244,776	489,776
2023	250,000	236,544	486,544
2024	260,000	228,144	488,144
2025	270,000	219,408	489,408
2026-2030	1,495,000	954,240	2,449,240
2031-2035	1,760,000	686,112	2,446,112
2036-2040	2,075,000	369,768	2,444,768
2041-2042	930,000	47,208	977,208
Totals	<u>\$7,520,000</u>	<u>\$3,238,872</u>	<u>\$10,758,872</u>

The following are schedules of future debt service requirements to maturity as of December 31, 2020 for the custodial fund:

Years	Principal	Interest	Total
2021	\$3,355,000	\$2,099,352	\$5,454,352
2022	3,465,000	1,988,967	5,453,967
2023	3,770,000	2,273,891	6,043,891
2024	3,370,000	2,246,262	5,616,262
2025	3,925,000	2,135,039	6,060,039
2026-2030	16,260,000	7,509,320	23,769,320
2031-2035	13,060,000	6,042,259	19,102,259
2036-2040	10,515,000	3,602,784	14,117,784
2041-2045	4,370,000	1,938,624	6,308,624
2046-2050	4,195,000	884,725	5,079,725
2051-2052	1,395,000	101,950	1,496,950
Totals	<u>\$67,680,000</u>	<u>\$30,823,173</u>	<u>\$98,503,173</u>

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. PROJECTS

VH Monroe Special Assessment Project

The Port Authority has worked with the City of Monroe and VH Monroe (now owned by Industrial Development International or “IDI”) to partner with the parties to provide assistance to the project through a special assessment note and bond issuance that occurred in 2008 (the “Project”). The Project provides for ten large commercial/industrial buildings on the western edge of Warren County in the City of Monroe referred to Park North as IDI at Monroe. The Project is located on the southeastern corner of State Route 63 and Interstate 75. Through 2019, there have been nine buildings constructed for a total of over 5.8 million square feet of building space. The Port Authority’s role was necessary to help move the Project forward allowing the retention pond and some other public infrastructure to be completed by the developer. The Project is located in a tax increment financing district and Community Reinvestment Act (CRA) area for the City of Monroe. The City of Monroe has pledged the special assessment receipts as part of the collateral to pay the Port Authority’s future debt service obligations. Based on an initial analysis done, the Port Authority is expected to receive \$19,969,200 in contributions from the City of Monroe for this Project from those receipts. The intergovernmental receivable will be reduced by the annual payments although the special assessment receipts could vary since they are certified annually based on expected payments in lieu of taxes for each year.

Cincinnati Premium Outlets

The Port Authority has worked with the City of Monroe and Chelsea Properties to provide financing on the local infrastructure improvements around the Cincinnati Premium Outlets Center (the Center) and some of the connecting roadways. The Center opened in the fall of 2009 and has provided Warren County with substantial new retail development for the area. The Center is located on the southeastern corner of State Route 63 and Interstate 75. The Port Authority’s role was necessary to help finance the project as the City of Monroe had implemented a special assessment for the project and needed the Port Authority to issue the debt for the project. The project was backed financially by tax increment financing, then the special assessment payments and then the general obligation of the City of Monroe.

E-Beam Services

The Port Authority worked with E-Beam Services to help facilitate the use of economic recovery zone facility bonds for the building expansion and related equipment needs. The conduit debt financing closed on August 31, 2010 for \$6,500,000, with \$3,560,000 outstanding as of December 31, 2020. The project is completely backed and secured through E-Beam Services and merely reported as a conduit debt issued through the Port Authority. In June 2020, the Port Authority issued conduit financing of \$3,783,000 for phase 2 which included an additional 53,000 square feet of warehouse space. The Port Authority received \$37,128 in administrative fees that is amortized over five years.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. PROJECTS (continued)

Setzer Properties LLC (Federal Express)

In 2012, the Port Authority worked with Setzer Properties LLC (Setzer) to facilitate the construction and equipping of a 178,000 square foot distribution facility to be located in Warren County. Under the terms of the agreement, the Port Authority entered into a ground lease and project lease with Setzer, under which Setzer is responsible for obtaining financing and completing the construction of the building. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to Setzer. Under this lease, Setzer will make rental payments of \$4,000 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. Additionally, Setzer will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Setzer will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Delaware North

In 2013, the Port Authority worked with Delaware North to facilitate the financing and construction of a 188,000 square foot live horse racing and slot machine facility located on State Route 63 in Warren County. Under the terms of the agreement, the Port Authority entered into a ground lease and project lease with Delaware North, under which Delaware North is responsible for obtaining financing and completing the construction of the building. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to Delaware North. Under this lease, Miami Valley Gaming will make rental payments of \$1,000 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. Miami Valley Gaming also made an upfront payment to the Port Authority of \$850,000. This amount will be recognized as revenue by the Port Authority, ratably, over the term of the lease. Additionally, Delaware North will continue to be responsible for all maintenance and upkeep on the facilities, as a result, Delaware North recorded the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income. In 2014, the Warren County Commission entered into a Development Agreement with the Port Authority to administer the tax increment finance funds in relation to the project.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. PROJECTS (continued)

Pratt Industries

In 2013, the Port Authority entered into an agreement with Preble County to help finance the building structure for Pratt Industries (Pratt). Pratt selected Lewisburg for a state-of-the-art facility that will house its division, Lewisburg Corrugating. Under the terms of the agreement, the Port Authority entered into a ground lease and project lease with Pratt, under which Pratt is responsible for obtaining financing and completing the construction of the building. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to Pratt. Under this lease, Pratt will make rental payments of \$2,000 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. The Port Authority received an upfront payment of \$20,000 that will be recognized ratably over the life of the lease. Additionally, Pratt will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Pratt will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Industrial Developments International, Inc.

In 2013, the Port Authority entered into an agreement with Industrial Developments International, Inc. (IDI) to help finance and construct building #9 at the business park in the City of Monroe located in Warren County. Under the terms of the agreement, the Port Authority entered into a ground lease and project lease with IDI, under which IDI is responsible for obtaining financing and completing the construction of the building. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to IDI. Under this lease, IDI will make rental payments of \$3,000 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. The Port Authority received an upfront payment of \$30,000 that will be recognized ratably over the life of the lease. Additionally, IDI will continue to be responsible for all maintenance and upkeep on the facilities. As a result, IDI will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income. During 2016, IDI amended the lease for a second time that generated an additional \$6,000.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. PROJECTS (continued)

During 2015, the Port Authority entered into an agreement with IDI to help finance and construct buildings #4 (mainly 430,000 squared feet in tenant improvements) and #8 (a 993,000 squared foot spec building). The terms of the lease agreements were materially similar to building #9. The Port Authority received an upfront payment of \$137,622 that will be recognized ratably over the life of the lease.

During 2016, the Port Authority entered into an agreement with IDI to help finance and construct building #5 (a 143,664 squared foot spec building). The terms of the lease agreements were materially similar to building #9. The Port Authority received an upfront payment of \$30,000 that will be recognized ratably over the life of the lease.

During 2017, the Port Authority entered into agreements with IDI to help finance and construct buildings #6 and #10 (a 755,911 squared foot spec building and a 1,299,794 squared foot spec building). The terms of the lease agreements were materially similar to buildings #5 and #9. The Port Authority received upfront payments of \$413,625 that will be recognized ratably over the life of the lease.

During 2018, the Port Authority entered into an agreement with IDI to help finance and construct building #3 (a 194,680 squared foot spec building). The term of the lease agreement was materially similar to prior buildings. The Port Authority received an upfront payment of \$55,000 that will be recognized ratably over the life of the lease.

Advics Manufacturing

In 2014, the Port Authority entered into an agreement with Advics Manufacturing (Advics) to acquire title to structures and other site improvements to be located on the Project Site consisting of two additions to existing manufacturing facilities, namely an approximately 65,000 square foot expansion of the CPD plant, which produces electronic stability control components, into bays 1-34 and 8, as well as an approximately 18,000 square foot expansion of the disk brake caliper plant into docks C and D. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to Advics. Under this lease, Advics will make rental payments of \$500 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. The Port Authority received upfront payments of \$31,000 that will be recognized ratably over the life of the lease. Additionally, Advics will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Advics will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. PROJECTS (continued)

During 2015, the Port Authority entered into two amendments with Advics to expand the Project by installing approximately 16,000 square foot addition and then another 144,000 square foot expansion to support the Project. The Port Authority received upfront payments of \$65,903 that will be recognized ratably over the remaining life of the lease.

Henny Penny Corporation

In 2014, the Port Authority entered into an agreement with Henny Penny Corporation (Henny Penny) to acquire title to structures and other site improvements to be located on the Project Site consisting of primarily a 45,500 square foot office and manufacturing facility. Under the terms of the ground and project leases, the Port Authority is explicitly relieved of any obligation to maintain the building, undertake any capital repairs, or expend funds in connection with the building. Upon completion, the building title will be transferred to the Port Authority, and the Port Authority will lease the building back to Henny Penny. Under this lease, Henny Penny will make rental payments of \$1,000 per year for ten years to the Port Authority, and has a bargain purchase option to obtain the Port Authority's entire interest in the project for \$1 at the end of the lease. Both amounts have been prepaid as of December 31, 2014. The Port Authority received upfront payments of \$18,084 that will be recognized ratably over the life of the lease. Additionally, Henny Penny will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Henny Penny will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

During 2017, Henny Penny entered into an agreement with the Port Authority to improve approximately a 10,000 square foot lobby. The Port Authority received upfront payments of \$10,875 that will be recognized ratably over the life of the lease.

During 2019, Henny Penny entered into an agreement with the Port Authority for Phase 2 project development including 75,000 square foot manufacturing and another 45,000 square foot of engineering and project development as well as other uses. The Port Authority received upfront payments of \$84,988 that will be recognized over the life of the lease.

Ralph J Stolle Countryside YMCA

In 2014, the Port Authority entered into an agreement with the Ralph J Stolle Countryside YMCA to issue conduit debt financing which closed on June 30, 2014, for \$8,800,000 with \$6,568,257 outstanding at December 31, 2020. The proceeds were used to remodel the facility and make the functionality and flow of the facility more appropriate to their members' needs.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. PROJECTS (continued)

AK Steel Project

During 2015, the Port Authority entered into an agreement with the City of Middletown to acquire title to a structure and other site improvements to be located on approximately 16 acres consisting primarily of an approximately 135,140 square foot facility for the purpose of research and development or other office or industrial use and approximately 150 parking spaces in support of the project. The Port Authority entered into a lease with Fortress Credit Corporation for eighteen years. Fortress Credit Corporation pays \$2,500 each year as rent on project. The Port Authority received upfront payments of \$127,000 that will be recognized ratably over the life of the lease. Additionally, AK Steel will continue to be responsible for all maintenance and upkeep on the facilities. As a result, AK Steel will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Arbor Square Investments (SMB&P Project)

During 2015, the Port Authority entered into a capital lease financing structure in order to refinance the debt on the office building of Schroeder, Maundrell, Barbieri & Powers, a law firm located in Mason, Ohio (“SMB&P”). The Port Authority issued taxable lease revenue bonds in the amount of \$3,645,000 to cover the cost of acquiring the two-story office building and a leasehold interest in the 2.051 acres of real property on which the building sits (the “Project”). These lease revenue bonds will be marketed for private placement by First Southwest Company, LLC for a period of between three and five weeks (exclusive of weeks with holidays). The Port Authority entered into a 25 year capital lease with Arbor Square Investments, LLC, to service the debt on the bonds. The Port Authority received upfront payments of \$20,000 that were recognized during 2015. Additionally, Arbor Square Investments will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Arbor Square Investments will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. PROJECTS (continued)

Bishop Fenwick School (School)

During 2015, the Port Authority issued \$8,000,000 aggregate principal amount of its Development Revenue Refunding Bonds as of July 1, 2015 for the purpose of making a loan of the proceeds thereof to the School to provide funds to refund a portion of the outstanding principal amount of the City of Middletown, Ohio Adjustable Rate Demand Development Revenue Bonds, Series 2003, which Refunded Bonds were issued in the original principal amount of \$12,250,000 and the proceeds of which Refunded Bonds were used to provide for the acquisition, construction, equipping, and improvement of Bishop Fenwick High School located as 4855 State Route 122, Franklin, Ohio 45005. The Port Authority received principal payments of \$350,764 during 2020 leaving a balance of \$5,164,133 at December 31, 2020. Additionally, Bishop Fenwick School will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Bishop Fenwick School will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Victory Wholesale

During 2016, the Port Authority issued \$600,000 aggregate principal amount Economic Development Notes as of September 2016 for the purpose of assisting the City of Springboro in providing an incentive to Brothers Trading Company, Inc. (Company) to expand its operations in the City by constructing, equipping and operating a new two-hundred fifty-five square foot warehouse and distribution facility. The Port Authority received payments of \$55,125 that are recognized over the six year term of the notes. The Port Authority provided a sales tax exemption to reduce the overall cost of construction on the project. Additionally, the Company will continue to be responsible for all maintenance and upkeep on the facilities. As a result, the Company will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Lebanon Citizen's National Bank

During 2016, the Port Authority entered into ground leasing financing structure in order to assist in the construction and equipping of a 48,525 square foot office and headquarters for Lebanon Citizen's National Bank (Bank). The Port Authority provided a sales tax exemption to reduce the cost of constructing the three-story office building and received a leasehold interest in the 2.360 acres of real property on which the building sits (the "Project"). The Port Authority received upfront payments of \$64,152 that is amortized over the life of the lease, which is ten years. Additionally, the Bank will continue to be responsible for all maintenance and upkeep on the facilities. As a result, the Bank will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. PROJECTS (continued)

Hopkins Commons

During 2017, the Port Authority entered into a 10 year lease with Hopkins Development, LLC in order to construct primarily a senior independent living facility with approximately 127 market rate apartments including a senior center to include meeting and activity rooms, offices and a restaurant. The Port Authority received upfront payments of \$86,000 that will be recognized as revenue over the life of the lease. Additionally, Hopkins Development will continue to be responsible for all maintenance and upkeep on the facilities. As a result, Hopkins Development will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Warren County Sports Complex

On September 29, 2017, the Port Authority issued \$15,735,000 in connection with the Warren County Convention and Visitor's Bureau (the "CVB") sport complex project (the "Complex"). Warren County pledged an additional one-percent hotel tax along with the remaining three-percent hotel tax as a secondary pledge as revenue to repay the debt service on the bonds. The Port Authority owns fee title to the site on which the Complex is located, and the Port Authority leases the Complex to the CVB pursuant to a 99 year lease. The CVB is responsible for maintaining and operating the Complex, which opened in the fall of 2018 with the remaining grass fields open in 2019. The Complex is located north of State Route 63 along State Route 741. The Port Authority received upfront payments of \$150,808 that will be recognized as revenue over the life of the lease. During 2020, the Port Authority received \$532,578 in hotel lodging tax for the project related to the enterprise portion of the obligation.

South Lebanon – Rivers Crossing Project

On October 12, 2018, the Port Authority issued \$8,410,000 in connection with refunding the original debt issued by the Village of South Lebanon. The original debt was issued to finance public infrastructure around the Rivers Crossing commercial development project. The Port Authority received upfront payments of \$64,050 that will be recognized as revenue over the life of the lease. Additionally, Rivers Crossing will continue to be responsible for all maintenance and upkeep on the facilities. The Port Authority will receive annual administrative fees on the bonds.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. PROJECTS (continued)

City of Monroe – CCU Development

On November 9, 2018, the Port Authority issued \$2,865,000 of special assessment revenue bonds in connection with the CCC development on the northwest corner of State Route 63 and Union Road. The Port Authority received upfront payments of \$27,670 that will be recognized as revenue over the life of the lease. Additionally, CCC will be responsible for all maintenance and upkeep on the facilities until they are eventually dedicated to the City of Monroe. The Port Authority will receive annual administrative fees on the bonds.

District at Deerfield

On June 28, 2018, the Port Authority entered into a 10 year lease with District Partners in order to construct integrated, mixed-use development on 28 acres in Deerfield Township. The Port Authority received upfront payments of \$165,000 will be recognized as revenue over the life of the lease. Additionally, the developer will be responsible for all maintenance and upkeep on the facilities. As a result, the developer will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Green Point Metals

On May 29, 2018, the Port Authority entered into a 10 year lease with Green Point Metals in order to construct a 60,805 square feet expansion on their existing facility in Franklin. This allowed Greenpoint to add an additional line of business. The Port Authority received upfront payments of \$32,100 that will be recognized as revenue over the life of the lease. Additionally, Green Point Metals will be responsible for all maintenance and upkeep on the facilities. As a result, the Green Point Metals will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Middletown Cardiovascular

On April 20, 2018, the Port Authority entered into a 10 year lease with S3C Enterprises in order to construct a 25,000 square foot facility in Middletown for cardiovascular health care services. The Port Authority received upfront payments of \$21,000 that will be recognized as revenue over the life of the lease. Additionally, S3C Enterprises will be responsible for all maintenance and upkeep on the facilities. As a result, the S3C Enterprises will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. PROJECTS (continued)

Monmouth RE

On June 29, 2018, the Port Authority entered into a 10 year lease with Monmouth RE in order to construct a 155,000 square foot expansion of building #9 (UGN) in the Park North development. The Port Authority received upfront payments of \$47,250 that will be recognized as revenue over the life of the lease. Additionally, Monmouth RE will be responsible for all maintenance and upkeep on the facilities. As a result, the Monmouth RE will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Franklin Area Wastewater District

On December 19, 2018, the Port Authority issued \$8,434,000 of taxable and tax-exempt bonds in connection with improvements to the Franklin Areas Wastewater plant and to refund the prior debt issued. The original debt was issued to finance public infrastructure for the facility. The Port Authority received upfront payments of \$71,154 that will be recognized as revenue over the life of the lease. Additionally, the District will continue to be responsible for all maintenance and upkeep on the facilities. The Port Authority will receive annual administrative fees on the bonds.

Peters Cartridge

On February 14, 2019, the Port Authority entered into a 10-year lease with Peters Cartridge Factory LLC (Peters Cartridge) in order to facilitate the acquisition, construction, equipping, development, improvement, and renovation of a blighted factory into an approximately 240,000 square foot mixed-used complex, including approximately 134 apartments, 15,309 square foot of commercial space for restaurants, retail office space and outdoor and indoor parking. The Port Authority received upfront payments of \$105,000 that will be recognized as revenue over the life of the lease. Additionally, Peters Cartridge will be responsible for all maintenance and upkeep on the facilities. As a result, the Peters Cartridge will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

Neaton Auto

On November 25, 2019, the Port Authority entered into a 35-year lease with Neaton Auto Products Manufacturing, Inc. (Neaton Auto) in order to construct a 153,000 square foot warehouse and manufacturing facility in the City of Eaton. The Port Authority received upfront payments of \$51,405 that will be recognized as revenue over the life of the lease. Additionally, Neaton Auto will be responsible for all maintenance and upkeep on the facilities. As a result, the Neaton Auto will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. PROJECTS (continued)

West Milton Stillwater Crossings

On December 3, 2019, the Port Authority issued \$12,080,000 of revenue bonds in connection with improvements to the Stillwater Crossing New Community Authority (NCA) public infrastructure development. The Port Authority received upfront payments of \$90,600 that will be recognized as revenue over the life of the lease. Additionally, NCA will be responsible for all maintenance and upkeep on the facilities. As a result, the NCA will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

On December 19, 2020, the Port Authority issued \$5,330,000. The bond issuance was done through the Port Authority's Ohio Communities Accelerator fund with \$3,845,000 in tax exempt bond and \$1,485,000 in taxable bonds in connection phase 2 development in the Stillwater Crossing NCA public infrastructure development.

Madison County

On April 23, 2020, the Port Authority issued a sales tax exemption in connection with West Jefferson Project located in Madison County. The project consists of the acquisition, construction, equipment, improvement and equipping of an approximately 1,045,160 square foot distribution facility. The Port Authority received upfront net payments of \$147,000 that will be recognized as revenue over the life of the lease. Additionally, the West Jefferson I, LLC will be responsible for all maintenance and upkeep on the facilities. As a result, the West Jefferson I, LLC will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

511 North Broadway

On October 15, 2020, the Port Authority issued a sales tax exemption in connection with improvements located a 511 North Broadway. The project consists of the construction, equipment, development, improvement and installation of a mixed-use commercial and residential development expected to include approximately twenty-eight townhomes, approximately eighty-four apartment units and between ten and fourteen thousand square feet of commercial space. The Port Authority received upfront payments of \$60,000 that will be recognized as revenue over the life of the lease. Additionally, the North Broadway Apartments LLC will be responsible for all maintenance and upkeep on the facilities. As a result, the North Broadway Apartments LLC will record the asset and related depreciation in its financial statements, as a capital lease, and the Port Authority will recognize rental income.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. PROJECTS (continued)

City of Springboro Fiber Optic Project

On October 22, 2020, the Port Authority issued \$3,485,000 of taxable bonds in connection with improvements to the City of Springboro's fiber optic improvements within the City. The Port Authority received upfront payments of \$17,425 that will be recognized as revenue over the life of the lease. Additionally, the City will continue to be responsible for all maintenance and upkeep on the fiber improvements. The Port Authority will receive annual administrative fees on the bonds.

Clearcreek Township Buildings Project

On November 9, 2020, the Port Authority issued \$8,600,000 of tax exempt bonds in connection with new construction of Clearcreek Township's police building and new road equipment buildings, as well as, renovations to the existing Road Maintenance and Administration buildings. The Port Authority received upfront payments of \$34,000 that will be recognized as revenue over the life of the lease. Additionally, the Township will continue to be responsible for all maintenance and upkeep on the fiber improvements. The Port Authority will receive annual administrative fees on the bonds.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

8. INTERGOVERNMENTAL RECEIVABLE

For the year ended December 31, 2020, changes in Port Authority’s intergovernmental receivables were as follows:

	Balance at January 1, 2020	Additions	Payments/ Deletions	Balance at December 31, 2020
<u>Enterprise Funds:</u>				
Sports Complex	\$11,972,472	\$0	\$1,000,200	\$10,972,272
<u>Custodial Funds:</u>				
Sports Complex	11,070,977	0	452,440	10,618,537
Racino	1,081,383	0	267,587	813,796
South Lebanon/Rivers Crossing	11,975,964	0	683,191	11,292,773
City of Monroe	4,758,626	0	201,652	4,556,974
Chelsea Mall	3,641,600	0	446,387	3,195,213
Park North	13,939,035	0	980,520	12,958,515
Franklin Area WW District	16,238,824	0	596,503	15,642,321
2019A Warren County	1,900,089	0	205,874	1,694,215
2019B Warren County	1,518,761	0	354,450	1,164,311
Middletown PACE	434,591	0	43,170	391,421
West Milton Stillwater Crossing PH1	12,117,708	0	0	12,117,708
Warren County Community Services	0	2,109,216	87,604	2,021,612
Springboro Fiber Optic	0	3,791,182	11,559	3,779,623
Clearcreek Township	0	12,255,623	0	12,255,623
West Milton Stillwater Crossing PH2	0	9,366,389	0	9,366,389
Total Custodial Funds:	<u>78,677,558</u>	<u>27,522,410</u>	<u>4,330,937</u>	<u>101,869,031</u>
Total All Funds:	<u>\$90,650,030</u>	<u>\$27,522,410</u>	<u>\$5,331,137</u>	<u>\$112,841,303</u>

9. COVID 19

The United State 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 may incur 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.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

10. CHANGE IN ACCOUNTING PRINCIPLES

For 2020, the Port Authority implemented the following GASB Statements during fiscal year 2020 after delaying the implementation for one year as allowed by GASB Statement No. 95.

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 90, *Majority Equity Interests*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The implementation of GASB Statement No. 84 had a material effect on the Port Authority’s beginning net position balance for the enterprise and custodial accounts.

	Enterprise Fund	Custodial Funds
Net Position at December 31, 2019	\$10,982,519	\$0
Adjustments:		
Implementation of GASB No. 84		
Reclassification of WCSDBA Activity	(41,294)	41,294
Reclassification of OCA Fund	0	15,422,381
Restated Net Position at December 31, 2019	\$10,941,225	\$15,463,675

11. SUBSEQUENT EVENTS

During the normal course of business, the Port Authority has entered into various agreements with private developers and other organizations to foster economic development within Warren County and the surrounding region.

During March 2021, the Port Authority issued \$8,400,000 of special obligation revenue bonds to refund the prior bond issuance in connection with the Rivers Crossing Project. The village of South Lebanon is still responsible for all the related payments. Refinancing the prior issuance lowered the interest rate on the debt.

During March 2021, the Port Authority issued \$2,885,000 of development revenue refunding bonds to refund the prior bond issuance in connection with the City of Monroe special assessment project. The City is still responsible for all the related payments. Refinancing the prior issuance lowered the interest rate on the debt.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

11. SUBSEQUENT EVENTS (continued)

During September 2021, the Port Authority issued \$3,895,000 of development revenue bonds to finance public infrastructure improvements in the City of Bellevue, Kentucky. The City of Bellevue is responsible for all the related payments.

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*

Warren County Port Authority
Warren County
406 Justice Drive, Suite 301
Lebanon, Ohio 45036

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 the business-type activities and the aggregate remaining fund information of the Warren County Port Authority, Warren County, (the Port Authority) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated September 28, 2021. We noted the Port Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Port Authority.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Port Authority's internal control over financial reporting (internal control) 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 Port Authority's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

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

Port Authority's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
September 28, 2021

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020**

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

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.

We identified the following conditions related to the Port Authority's financial statements at December 31, 2020:

- The Port Authority reported investments in the Bond Fund at cost basis instead of fair market value, resulting in an understatement of both Cash and Investments in Restricted Trust Accounts and Interest Income, in the amount of \$141,587 in the Bond Fund.
- The Port Authority did not properly account for developer contributions, resulting in an understatement of Cash and Investments in Restricted Trust Accounts and an overstatement of Interest and Fiscal Charges, both in the amount of \$336,000 in the Bond Fund.
- The Port Authority did not account for fees paid in the Interest and Fees Payable journal entries, resulting in an overstatement of both Interest and Fees Payable and Interest and Fiscal Charges, in the amount of \$308,769 in the Bond Fund.
- The Port Authority classified a capital expenditure as bond issuance costs, resulting in an overstatement of Bond Issuance Costs and an understatement of Project Distributions, both in the amount of \$686,177 in the Bond Fund.

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

The Port Authority did not have procedures in place for effective monitoring of financial activity and the accuracy of accounting and financial reporting. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner.

Due care should be exercised when posting entries to the financial records and preparation of the financial statements to prevent errors and to assist in properly reflecting the Port Authority's financial activity. In addition, the Board should adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported on the financial statements so that errors can be detected and corrected in a timely manner.

**FINDING NUMBER 2020-001
(Continued)**

Officials' Response:

The Port Authority discussed the items above with the auditors during the audit and agreed with the changes noted. The items above are all related to the Port Authority's custodial account which was converted to a new level of reporting for the current year under GASB 84. The conversion involved the presentation of the statement of revenues, expenses and changes in fiduciary net position. The Port Authority will review the custodial fund activity in greater detail for the next reporting cycle since the conversion is completed to ensure the above items and other financial information is reported correctly moving forward.

OHIO AUDITOR OF STATE KEITH FABER



WARREN COUNTY PORT AUTHORITY

WARREN 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 9/30/2021

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This report is a matter of public record and is available online at
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