

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

(AUDITED)

*FOR THE YEAR ENDED
DECEMBER 31, 2018*

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Warren County Port Authority
406 Justice Drive
Lebanon, Ohio 45036

We have reviewed the *Independent Auditor's Report* of the Warren County Port Authority, Warren County, prepared by Julian & Grube, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Warren County Port Authority is responsible for compliance with these laws and regulations

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 25, 2019

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**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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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, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Warren County 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 Warren County 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 Warren County 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 Warren County Port Authority, Warren County, Ohio, as of December 31, 2018, 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 Matter

As described further in Note 2.A to the financial statements, during 2018, the Warren County Port Authority placed debt into the Ohio Communities Accelerator Fund, a fiduciary fund. In addition, there was a special item relating to this action. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2019, on our consideration of the Warren County 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 Warren County Port Authority's internal control over financial reporting and compliance.



Julian & Grube, Inc.
August 23, 2019

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(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, 2018. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2018 are as follows:

- 2018 provided the Port Authority with \$415,055 (up from \$370,598 for fiscal year 2017) in current year recognized administrative fees and rental income from projects. Nineteen percent of the fee was derived from the sales tax agreement for Delaware North that will be recognized over a ten year period at \$80,000 annually. 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 District of Deerfield resulting in a cash increase of \$165,000.
- The ending cash and cash equivalents balance was \$1,427,447, which is a decrease from the 2017 ending balance of \$2,215,165. The Board designated \$796,685 of those funds to evaluate development options and also contributed over \$1.2 million to setup the Ohio Communities Accelerator Bond Fund and contributed initial project costs on several deals during 2018.
- Operating expenses were \$540,230, which is down from the 2017 amount of \$586,065. Intergovernmental expenses included the annual administrative cost paid to Warren County.
- The local nonoperating contributions are related to lodging taxes to pay for the enterprise portion of the Sports Complex financing.
- The Port Authority created the Ohio Communities Accelerator Bond Fund, which transferred the 2017 bonds issues related to the Park North and Cincinnati Premium Outlets financing completed last year.
- The Port Authority had eight debt financings run through the Ohio Communities Accelerator Bond Fund during 2018 totaling \$43,125,000.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(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 and a statement of fiduciary assets and liabilities – agency fund. 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, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

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

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

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(UNAUDITED)

Table 1 provides a comparison of the Port Authority's net position for 2017 and 2018.

Table 1 - Net Position

	2017	2018
Assets:		
Current assets	\$20,797,109	\$6,924,951
Intergovernmental receivable – long term	12,690,000	11,472,372
Capital assets, net depreciation	1,997,540	14,152,661
Total Assets	<u>35,484,649</u>	<u>32,549,984</u>
Deferred Outflows of Resources	<u>1,127,647</u>	<u>0</u>
Liabilities:		
Current liabilities	1,572,626	2,119,673
Long-term liabilities	30,663,615	9,283,647
Total Liabilities	<u>32,236,241</u>	<u>11,403,320</u>
Deferred Inflows of Resources	<u>0</u>	<u>11,969,864</u>
Net Position:		
Net Investment in Capital Assets	1,997,540	12,579,450
Restricted for Debt Service	2,027,207	169,962
Restricted for Capital Projects	14,989,215	4,709,224
Unrestricted	(14,637,907)	(8,281,836)
Total Net Position	<u>\$4,376,055</u>	<u>\$9,176,800</u>

The Port Authority saw significant changes in 2018. The Port Authority spent down \$11.6 million of the restricted cash balance for the sports complex project by year end. The Port Authority also transferred two outstanding bonds that were refinanced at the end of 2017 in the Ohio Communities Accelerator Bond Fund. The 2017 deferred charges were removed as part of moving those items over to the agency fund statement. The Port Authority is also the owner of the sports complex with the asset reported as construction in progress.

The current liabilities jumped up significantly because of the outstanding payables related to the sports complex project between the various contracts and retainage payable. Long term liabilities decreased significantly as only a portion of the sports complex financing remains as an enterprise obligation with the balance of the 2017 obligation moved to the agency fund.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(UNAUDITED)

Table 2 compares the changes in net position for the years 2017 and 2018.

Table 2 - Changes in Net Position

	<u>2017</u>	<u>2018</u>
Operating Revenues:		
Administrative Fees and Rental	\$390,173	\$438,305
Other Revenues	20,011	68,761
Total Operating Revenues	<u>410,184</u>	<u>507,066</u>
Operating Expenses:		
Legal fees	83,900	245,163
Accounting and Auditing	5,355	14,611
Professional Services	68,500	31,815
Other General Administration	118,655	57,667
Insurance	7,814	3,414
Other	0	50,135
Intergovernmental	239,416	75,000
Depreciation	62,425	62,425
Total Operating Expenses	<u>586,065</u>	<u>540,230</u>
Operating (Loss)	<u>(175,881)</u>	<u>(33,164)</u>
Nonoperating Revenues (Expenses):		
Interest Revenue	44,336	219,418
Local Contributions - nonoperating	2,429,444	1,052,122
Grants awarded	0	(25,000)
Issuance costs	(958,212)	0
Payment to Escrow Agent	0	307,095
Interest and Trustee Expenses	(1,623,617)	(632,690)
Total Nonoperating Revenues (Expenses)	<u>(108,048)</u>	<u>920,945</u>
Change in Net Position	(283,929)	887,781
Special item	0	3,912,964
Net Position, Beginning of Year	<u>4,659,984</u>	<u>4,376,055</u>
Net Position, End of Year	<u>\$4,376,055</u>	<u>\$9,176,800</u>

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(UNAUDITED)

As stated earlier, the Port Authority saw administrative fee activity increase compared to the prior year as the Port Authority received fees from nine different projects in fiscal year 2018. The Port Authority also 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 2018, which accounts for \$199,413 of the 2018 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 \$652,230 on a cash basis for administrative fees.

The Port Authority's expenses decreased in fiscal year 2018. Intergovernmental expenses were higher in 2017 due to activity with the City of Monroe reimbursements relative to the Cincinnati Premium Outlets project. 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 2018 relate to the number of project financings and starting the bond fund.

Capital Assets and Debt

The Port Authority recognized net capital assets of \$14,152,661 as of December 31, 2018. For more information on the Port Authority's depreciable capital assets, net, see Note 4. The Port Authority transferred the refunded bonds for the CPO and Park North refunding bond as well as a portion of the sports complex financing to the newly created Ohio Communities Accelerator Fund during 2018. 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 30 jobs, retaining 98 jobs, starting 15 new businesses for \$5,320,000 in capital impact and also through advocacy efforts of the Warren County Chamber Alliance for calendar year 2018. 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, 2018
(UNAUDITED)**

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, 2018**

ASSETS:

CURRENT ASSETS:	
Cash and Cash Equivalents	\$ 1,427,447
Restricted Cash and Cash Equivalents	4,974,821
Accounts Receivable	9,324
Accrued Interest Receivable	15,867
Intergovernmental Receivable	497,492
TOTAL CURRENT ASSETS	<u>6,924,951</u>
 NONCURRENT ASSETS:	
Intergovernmental Receivable	11,472,372
Nondepreciable Capital Assets, Net	12,217,546
Depreciable Capital Assets, Net	1,935,115
TOTAL NONCURRENT ASSETS	<u>25,625,033</u>
 TOTAL ASSETS	 <u>32,549,984</u>

LIABILITIES:

CURRENT LIABILITIES:	
Accounts Payable	1,152,322
Retainage Payable	446,356
Accrued Interest Payable	22,316
Amounts Held for Others	40,041
Unearned Revenue - Short Term	238,638
Special Obligation Bonds - Due in One Year	220,000
TOTAL CURRENT LIABILITIES	<u>2,119,673</u>
 LONG TERM LIABILITIES:	
Unearned Revenue - Long Term	1,533,647
Special Obligation Bonds	7,750,000
TOTAL LONG TERM LIABILITIES	<u>9,283,647</u>
 TOTAL LIABILITIES	 <u>11,403,320</u>

DEFERRED INFLOWS OF RESOURCES:

Intergovernmental	<u>11,969,864</u>
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NET POSITION:

Net Investment in Capital Assets	12,579,450
Restricted for Debt Service	169,962
Restricted for Capital Projects	4,709,224
Unrestricted	<u>(8,281,836)</u>
 TOTAL NET POSITION	 <u>\$ 9,176,800</u>

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, 2018**

OPERATING REVENUES:

Administrative Fees	\$	415,055
Rental Income		23,250
Other Revenues		68,761
		507,066
Total Operating Revenues		507,066

OPERATING EXPENSES:

Insurance		3,414
Legal Fees		245,163
Accounting and Auditing		14,611
Professional Services		31,815
Other General Administration		57,667
Intergovernmental		75,000
Other		50,135
Depreciation		62,425
		540,230
Total Operating Expenses		540,230
Operating Loss		(33,164)

NONOPERATING REVENUES (EXPENSES):

Interest Revenue		219,418
Local Contributions - nonoperating		1,052,122
Payment to Escrow Agent		307,095
Grants awarded		(25,000)
Interest and Trustee Expenses		(632,690)
		920,945
Nonoperating Revenues, Net		920,945

INCOME BEFORE SPECIAL ITEM

887,781

Special item - net impact of bond fund transfers

3,912,964

CHANGE IN NET POSITION

4,800,745

Net Position, Beginning of Year

4,376,055

Net Position, End of Year

\$ 9,176,800

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, 2018**

Cash flows from operating activities:	
Cash received from customers	\$ 675,480
Cash received from SBDC and Chamber Alliance members	151,856
Cash payments to supplier for goods and services	(400,945)
Cash payments to local governments for project and other related costs	(75,000)
Cash paid on behalf of SBDC and Chamber Alliance	(176,567)
Other miscellaneous revenue	142,585
Net cash provided by operating activities	<u>317,409</u>
Cash flows from noncapital financing activities:	
Local Contributions	1,355,137
Cash payments for grants	(25,000)
Net cash provided by noncapital financing activities	<u>1,330,137</u>
Cash Flows from capital and related financing activities:	
Port Authority costs for the Ohio Communities Bond Fund	(3,434,771)
Acquisition and Construction of Capital Assets	(10,649,223)
Principal Paid on Project Improvement Bonds	(545,000)
Interest Paid on All Debt	(427,911)
Net cash used by capital and related financing activities	<u>(15,056,905)</u>
Cash flows from investing activities:	
Change in Fair Value of Investments	21,512
Net Interest received	200,785
Net cash provided by investing activities	<u>222,297</u>
Net Decrease in Cash and Cash Equivalents	(13,187,062)
Cash and cash equivalents at beginning of year	19,589,330
Cash and cash equivalents at end of year	<u>\$ 6,402,268</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating Loss	\$ (33,164)
Depreciation	62,425
Adjustments to reconcile operating loss to net cash provided by operating activities	
Increase in Accounts Receivable	(3,563)
Decrease in Accounts Payable	(39,433)
Decrease in Amounts Held for Others	(24,555)
Increase in Unearned Revenue	355,699
Net cash provided by operating activities	<u>\$ 317,409</u>

See accompanying notes to the basic financial statements

Note: The accounts payable includes \$1,121,967 and retainage payable includes \$446,356 of capital assets.

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2018**

Assets:

Cash and Cash Equivalents in Restricted Accounts	\$ 16,206,727
Intergovernmental Receivable	<u>65,832,011</u>
 Total Assets	 <u><u>\$ 82,038,738</u></u>

Liabilities :

Liabilities:

Port Authority Reserve	\$ 1,005,969
Proceeds Held for Bond Fund Debt Service	10,617,692
Unspent Bond Proceeds	962,125
Interest and Fees Payable	26,967,952
Revenue Bonds Payable	<u>42,485,000</u>
 Total Liabilities	 <u><u>\$ 82,038,738</u></u>

See accompanying notes to the basic financial statements

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

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 agency funds. The Port Authority maintains a fiduciary agency fund for its projects that are issued through the Ohio Communities Accelerator Fund (the "Bond Fund"). 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 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, and Franklin Wastewater. The Port Authority's agency fund is custodial in nature.

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 agency fund does not involve the measurement of results of operations.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data

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

D. Cash and Cash Equivalents

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

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 2018, the Port Authority invested in money market funds, 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 2018 was \$219,418.

E. Restricted Cash/Amounts Held for Others

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 \$4,934,780 (enterprise) and \$16,206,727 (agency) as of December 31, 2018.

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 and corresponding liability on the Port Authority's financial statements. The amount held by the Port Authority as of December 31, 2018 was \$40,041.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018, 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 Bond Fund for the principal and interest payments due on the various deals that are secured through a local government revenue source.

H. Operating and Nonoperating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Port Authority's primary mission. For the Port Authority, operating revenues include intergovernmental contributions (nothing received in current year) to fund operations 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 issuance costs and expenses comprise the nonoperating revenues and expenses of the Port Authority.

I. Accrued Liabilities

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

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, mortgages, notes 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 2018 consists of administrative fees earned in current and prior fiscal years amortized over the remaining life of the lease agreements.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Subsequent Events

The Port Authority has evaluated subsequent events for potential recognition and disclosure through August 23, 2019, 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 had no extraordinary items during 2018. The Port Authority's Special Item relates to transfers to establish the Bond Fund.

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 Agency 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.

WARREN COUNTY PORT AUTHORITY
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3. DEPOSITS AND INVESTMENTS (continued)

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;
- 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; and
- Bond and other obligations of the State of Ohio;
- 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; and,
- 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; and,
- Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

3. DEPOSITS AND INVESTMENTS (continued)

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.

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. 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 was \$1,501,569 and the bank balance was \$1,503,144. \$500,000 of the Port Authority's deposits was insured by federal depository insurance with the remaining \$1,003,144 being collateralized by the bank.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

3. DEPOSITS AND INVESTMENTS (continued)

Investments

As of December 31, 2018, 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>
U.S Treasury Bills	\$1,391,726	Level 2	0.20	AAAm	28.40%
Federal National Mortgage Notes	748,328	Level 2	0.15	AAA	15.27%
Federal Home Loan Bank Bonds	2,547,398	Level 2	0.12	AAA	51.97%
Money Market Account	213,247	Level 1	0.10	AAAm	4.36%
Totals	<u>\$4,900,699</u>				

As of December 31, 2018, the Port Authority had the following investments reported in the agency fund:

	<u>Fair Value</u>	<u>Using</u>	<u>Maturity</u>	<u>Rating</u>	<u>Credit Risk</u>
Commercial Paper	1,942,770	Level 2	0.48	AAA	11.99%
Money Market Account	14,263,957	Level 1	0.10	AAAm	88.01%
Totals	<u>\$16,206,727</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.

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

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

3. DEPOSITS AND INVESTMENTS (continued)

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

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

4. CAPITAL ASSETS

A summary of the changes in capital assets during the year ended December 31, 2018, follows:

	Balance 12/31/2017	Increases	Decreases	Balance 12/31/2018
Capital Assets, not depreciated				
Land	\$0	\$212,120	\$0	\$212,120
Construction in progress	0	12,005,426	0	12,005,426
Capital Assets, being depreciated				
Land Improvements – Retention Pond	2,496,940	0	0	2,496,940
Accumulated Depreciation	(499,400)	(62,425)	0	(561,825)
Capital Assets, Net	<u>\$1,997,540</u>	<u>\$12,155,121</u>	<u>\$0</u>	<u>\$14,152,661</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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

6. LONG-TERM OBLIGATIONS

A summary of the changes in long-term obligations in the enterprise fund during the year ended December 31, 2018 follows:

	Balance 12/31/2017	Increase	Decrease	Balance 12/31/2018	Due within one year
A - Refunded Project Improvement Bonds	\$11,185,000	\$0	\$11,185,000	\$0	\$0
Discount	(337,228)	0	337,228	0	0
B - Special Obligations Bonds	4,175,000	0	4,175,000	0	0
Discount	(237,441)	0	237,441	0	0
C - Revenue Special Obligation Bonds	15,735,000	0	7,765,000	7,970,000	220,000
Total	\$30,520,331	\$0	\$23,699,669	\$7,970,000	\$220,000

A- 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%. During 2018, the bonds were moved into the Bond Fund.

B - The special obligation bonds were issued at an interest rate between 3.00 and 5.125 percent on May 27, 2009. The debt was issued for the purpose of constructing street improvements around a new retail development in the western portion of Warren County. The majority of the bonds were refunded in November 2017. The principal obligation for fiscal year 2018 and 2019 were placed with an escrow agent as they were not eligible to be refunded. During 2018, the bonds were moved into the Bond Fund.

C - 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.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

6. LONG-TERM OBLIGATIONS (continued)

A summary of the changes in long-term obligations in the agency fund during the year ended December 31, 2018 follows:

	Balance 12/31/2017	Increase	Decrease	Balance 12/31/2018	Due within one year
1 - Refunded Project Improvement Bonds	\$0	\$11,185,000	\$445,000	\$10,740,000	\$490,000
2 - Refunded Special Obligations Bonds	0	3,600,000	50,000	3,550,000	45,000
3 - Revenue Special Obligation Bonds	0	7,500,000	145,000	7,355,000	205,000
4 - Refunded Project Improvement Bonds	0	1,310,000	0	1,310,000	210,000
5 - Refunded Special Obligation Bonds	0	8,410,000	0	8,410,000	225,000
6 - Special Assessment Revenue Bonds	0	2,685,000	0	2,685,000	0
7 - Franklin Area Wastewater District	0	8,435,000	0	8,435,000	140,000
Total	\$0	\$43,125,000	\$640,000	\$42,485,000	\$1,315,000

- 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%. During 2018, the bonds were moved into the Bond Fund.

- 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%.

WARREN COUNTY PORT AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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6. LONG-TERM OBLIGATIONS (continued)

- 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 Franklin Area Wastewater District issued bonds in December 2018 to help finance the plant improvements and refinance prior debt the District had outstanding. The District 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%.

The following are schedules of future debt service requirements to maturity as of December 31, 2018 for the enterprise fund:

Years	Principal	Interest	Total
2019	\$220,000	\$267,792	\$487,792
2020	230,000	260,400	490,400
2021	235,000	252,672	487,672
2022	245,000	244,776	489,776
2023	250,000	236,544	486,544
2024-2028	1,400,000	1,050,000	2,450,000
2029-2033	1,645,000	798,504	2,443,504
2034-2038	1,945,000	502,656	2,447,656
2039-2042	1,800,000	153,720	1,953,720
Totals	<u>\$7,970,000</u>	<u>\$3,767,064</u>	<u>\$11,737,064</u>

WARREN COUNTY PORT AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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6. LONG-TERM OBLIGATIONS (continued)

The following are schedules of future debt service requirements to maturity as of December 31, 2018 for the agency fund:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$1,315,000	\$1,720,622	\$3,035,622
2020	1,750,000	1,701,559	3,451,559
2021	1,880,000	1,637,104	3,517,104
2022	1,950,000	1,567,700	3,517,700
2023	2,165,000	1,495,257	3,660,257
2024-2028	10,105,000	6,342,296	16,447,296
2029-2033	9,440,000	4,425,372	13,865,372
2034-2038	7,290,000	2,399,921	9,689,921
2039-2043	3,890,000	1,167,684	5,057,684
2044-2048	2,700,000	504,000	3,204,000
Totals	<u>\$42,485,000</u>	<u>\$22,961,515</u>	<u>\$65,446,515</u>

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 2018, 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.

WARREN COUNTY PORT AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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7. PROJECTS (continued)

Cincinnati Premium Outlets

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

E-Beam Services

The Port Authority worked with E-Beam Services to help facilitate the use of economic recovery zone facility bonds for the building expansion and related equipment needs. The conduit debt financing closed on August 31, 2010 for \$6,500,000, with \$4,005,000 outstanding as of December 31, 2018. The project is completely backed and secured through E-Beam Services and merely reported as a conduit debt issued through the Port Authority.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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7. PROJECTS (continued)

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.

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.

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7. PROJECTS (continued)

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.

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.

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7. PROJECTS (continued)

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.

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.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

7. PROJECTS (continued)

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.

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 \$7,318,586 outstanding at December 31, 2018. The proceeds were used to remodel the facility and make the functionality and flow of the facility more appropriate to their members' needs.

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, 2018

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 \$541,652 during 2018 leaving a balance of \$6,266,281 at December 31, 2018. 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, 2018

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 2018, the Port Authority received \$725,797 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, 2018

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 foot 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, 2018

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.

8. INTERGOVERNMENTAL RECEIVABLE

For the year ended December 31, 2018, changes in Port Authority's intergovernmental receivables were as follows:

	Balance at January 1, 2018	Additions	Payments/ Deletions	Balance at December 31, 2018
<u>Enterprise Funds:</u>				
Sports Complex	\$0	\$12,382,912	\$413,048	\$11,969,864
<u>Agency Funds:</u>				
Sports Complex	0	11,526,783	0	11,526,783
Racino	0	1,348,313	0	1,348,313
South Lebanon/Rivers Crossing	0	12,650,664	0	12,650,664
City of Monroe	0	4,895,239	0	4,895,239
Chelsea Mall	0	3,792,308	0	3,792,308
Park North	0	14,841,507	0	14,841,507
Franklin Area WW District	0	16,777,197	0	16,777,197
Total Agency Funds:	0	65,832,011	0	65,832,011
Total All Funds:	\$0	\$78,214,923	\$413,048	\$77,801,875

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

9. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2018, the Port Authority implemented the following Governmental Accounting Standards Board (GASB) Statements that had no impact on the beginning net position:

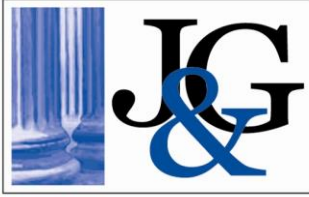
GASB Statement No. 85 “Omnibus 2017” to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application,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

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

10. 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 May 2019, the Port Authority issued \$3,750,000 of special obligation revenue bonds in two series (2019 A & B) to refinance and bundle debt previously issued by the Warren County Board of County Commissioners (BOCC). The BOCC issued the bonds, backed by special assessments, to construct various public infrastructure improvements across the County. Refinancing these issuances lowered the interest rate on the debt and should allow for the special assessments placed on property owners to be retired earlier than originally anticipated. Additionally, by the Port Authority’s bond fund issuing this debt, Warren County’s general obligation backing of these issuances is no longer required and has been removed.



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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 business-type activities and the aggregate remaining fund information of the Warren County Port Authority, Warren County, Ohio, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Warren County Port Authority's basic financial statements and have issued our report thereon dated August 23, 2019, wherein we noted as discussed in Note 2.A., the Warren County Port Authority placed debt into the Ohio Communities Accelerator Fund, a fiduciary fund. In addition, there was a special item relating to this action.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Warren County Port Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Warren County 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 Warren County 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a significant deficiency. We consider finding 2018-001 to be a significant deficiency.

Compliance and Other Matters

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

Warren County Port Authority's Response to Finding

The Warren County Port Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not subject the Warren County 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 Warren County 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 Warren County Port Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Julian & Grube, Inc.

Julian & Grube, Inc.
August 23, 2019

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2018-001

Significant Deficiency - Financial Statement Presentation:

Management is responsible for preparing complete and accurate financial statements in accordance with the applicable financial reporting framework. Control and monitoring activities typically associated with the period-end financial reporting process include reviewing and approving manual journal entries, consolidating entries, and any entries that are recorded directly to the financial statements.

A certain adjustment was made to the financial statements and notes to properly account for and disclose the classification of assets and deferred inflows of resources.

- An adjustment was recorded to increase Intergovernmental Receivable – Current by \$277,492, Intergovernmental Receivable – Noncurrent by \$3,722,372, and Deferred Inflows for Resources – Intergovernmental by \$3,999,864. The notes to the financial statements have also been updated to reflect this change.

The present control and monitoring system does not include a second review of the financial statements and note disclosures to ensure the information accurately portrays the activity of the Port Authority.

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the Port Authority’s activity.

We recommend the Port Authority design and implement additional procedures to facilitate more accurate and detailed financial reporting. The Port Authority should consider having an outside third-party, or Board member with financial experience, perform a second review of the financial statements and note disclosures prior to filing in the Hinkle System. Further, the Port Authority should reach out to its auditor throughout the year if questions arise on how to properly account for activity.

Client Response: The Port Authority acknowledges the inconsistent recognition of transactions between the financial statements and agrees with the change. For future periods, the Port Authority will recognize the full amount due.

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OHIO AUDITOR OF STATE KEITH FABER



WARREN COUNTY PORT AUTHORITY

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 8, 2019