



OHIO AUDITOR OF STATE  
**KEITH FABER**





**MASON PORT AUTHORITY  
WARREN COUNTY  
DECEMBER 31, 2019 AND 2018**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Mason Port Authority  
Warren County  
6000 Mason-Montgomery Road  
Mason, Ohio 45040

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Mason Port Authority, Warren County, Ohio (the Port Authority) as of and for the years ended December 31, 2019 and 2018.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

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

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

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

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

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Port Authority as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Mason Port Authority, Warren County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 7 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Port Authority. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020, on our consideration of the Mason Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

November 16, 2020

**Mason Port Authority**  
*Warren County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*General Fund*  
*For the Year Ended December 31, 2019*

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<b>Cash Receipts</b>	
Intergovernmental	\$500,000
Other Revenue	500
	<hr/>
<i>Total Cash Receipts</i>	<i>500,500</i>
	<hr/>
<b>Cash Disbursements</b>	
Community Development	507,838
General Government	2,800
	<hr/>
<i>Total Cash Disbursements</i>	<i>510,638</i>
	<hr/>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(10,138)</i>
	<hr/>
<b>Other Financing Receipts (Disbursements)</b>	
Other Financing Sources	20,401
	<hr/>
<i>Total Other Financing Receipts (Disbursements)</i>	<i>20,401</i>
	<hr/>
<i>Net Change in Fund Cash Balances</i>	<i>10,263</i>
	<hr/>
<i>Fund Cash Balances, January 1</i>	<i>1,092,691</i>
	<hr/>
<b>Fund Cash Balances, December 31</b>	
Restricted	400,000
Assigned	1,275
Unassigned (Deficit)	701,679
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<i>Fund Cash Balances, December 31</i>	<i>\$1,102,954</i>
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*See accompanying notes to the basic financial statements*

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**MASON PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**1. DESCRIPTION OF THE REPORTING ENTITY**

The Mason 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 June 2005 pursuant to section 4582.22 of the Ohio Revised Code by ordinance of the City of Mason, Ohio. The five 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 for purposes of enhancing, fostering, providing or promoting transportation, economic development, housing, recreation, education, government operations, culture and research.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant of the Port Authority’s accounting policies are described below:

**A. Basis of Presentation**

These financial statements of Mason Port Authority follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Port Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**B. Fund Accounting**

The Port Authority uses fund accounting to segregate cash and investments that are restricted as to use. The Port Authority relies upon the City of Mason to be a fiduciary fiscal agent to maintain the fund accounting records. The Port Authority only has a General Fund. The General Fund reports all financial resources except those required to be accounted for in another fund.

**C. Budgetary Data**

Ohio Revised Code Section 4582.13 requires the Port Authority annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

**MASON PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**D. Cash and Cash Equivalents**

The Port Authority maintains a cash management program whereby cash is deposited with the City of Mason as the Port Authority's fiscal agent. The fiscal agent restricts activity to deposits restricted by the provisions of Ohio Revised Code. Investment procedures are also restricted by the provisions of the Ohio Revised Code.

The Port Authority has no investments.

**E. Operating and Non-Operating Receipts and Disbursements**

There are no operating or non-operating receipts and disbursements on the financial statement; only cash receipts, cash disbursements, and other financing receipts/disbursements.

**F. Fund Balance**

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**MASON PORT AUTHORITY  
WARREN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

**G. Conduit Debt**

The Port Authority issues conduit debt on behalf of third parties. The Port Authority classifies debt as conduit debt when all of the following characteristics exist; the proceeds from the debt issuance benefits a third party, the debt obligation is payable solely from pledged receipts and is not an obligation of the Port Authority, and the third party has ultimate control over and primary benefit from the asset resulting from the expenditure of bond proceeds.

**3. DEPOSITS**

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

The Port Authority maintains a cash management program whereby cash is deposited with the City of Mason as the Port Authority’s fiscal agent. The City of Mason maintains a deposit and investment pool of funds including those held on behalf of the Port Authority. At fiscal year-end, the carrying value of the Port Authority’s deposits was \$1,102,954. Not all of the Port Authority’s deposits were insured by federal depository insurance. The remaining amount is in the Ohio Pooled Collateral System (OPCS). Ohio law requires that deposits be insured, be in the OPCS, 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. Under OPCS, the Ohio Treasurer’s Office monitors a participating financial institution’s pledge of collateral securities. The Ohio Treasurer’s Office establishes and maintains a perfected security interest in the pledge of collateral securities.

**4. LOAN RECEIVABLES**

The Port Authority loans funds for economic development purposes that may be forgiven if specific construction, employment, and payroll targets are met. Failure to meet or exceed the objectives in the loan requires the business to repay the amount due for the semiannual reporting period. The following are the outstanding loan receivable at the end of the fiscal year:

<b>Company</b>	<b>Year of Loan/Last</b>	<b>Loan</b>	<b>Principal Forgiven</b>	<b>Principal Paid</b>	<b>Principal Balance</b>
Skilled Care	2006/2029	\$400,000	\$32,358	\$135,257	\$ 232,385

**MASON PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

Spear	2009/2026	50,000	24,552	-	25,448
AssureRx	2011/2026	100,000	38,400	-	61,600
Top Gun Sales	2012/2031	200,000	5,800	17,100	177,100
Intelligrated	2012/2031	300,000	34,400	-	265,600
Atricure	2015/2035	340,000	20,000	-	320,000
Mitsubishi	2015/2036	100,000	-	-	100,000
Festo	2016/2028	500,000	82,000	-	418,000
360 Pharma	2016/2036	100,000	-	-	100,000
Intelligrated	2016/2033	400,000	9,000	-	391,000
AssureRx	2018/2037	205,000	-	-	205,000
Atricure	2019/2039	500,000	-	-	500,000
<b>Total</b>					<b><u>\$2,796,133</u></b>

### **5. Conduit Revenue Bond Obligations; Lease Financing**

Port authorities may provide assistance through issuance of conduit revenue bond obligations, including utilizing lease financing structures, to finance the acquisition, construction, equipping, furnishing and other improvement of a project to promote jobs and economic development, and the Port Authority may utilize its power to own and lease such a project to provide financial and accounting advantages to non-governmental users. Lease revenue bond financing has been used to convey a variety of such incentives, including applicable tax exemptions and preferred accounting treatment to the lessee/user of the project. Such lease financings can take the form of either a capital lease or an operating lease, depending on intended results.

Port Authority conduit revenue bonds are payable solely from the net revenues derived from the respective projects and related loan, lease or other similar agreements and are not otherwise an obligation of the Port Authority. Accordingly, the bonds and any related leases, contracts or other agreements are not reflected in the Port Authority's financial statements. Information regarding the status of any such matters must be obtained from the bond trustee, bond registrar, paying agent or other source identified in the bond proceedings.

In 2015, the Port Authority issued conduit revenue bond obligations and provided related capital lease financing to provide for the expansion of the Mason Business Center to serve as the location of the Procter & Gamble Beauty Innovation Center. The Port Authority authorized and sold up to \$420,000,000 of conduit revenue bonds to finance such expansion, acquired title to or a leasehold in related assets, and leased all such assets, together with the expansion to an affiliate of the company. The conduit revenue bond obligations outstanding for this transaction at December 31, 2019 aggregated approximately \$394,016,109.

The Port Authority had no other outstanding conduit revenue bond obligations or lease financings in effect at December 31, 2019.

### **6. RISK MANAGEMENT**

**MASON PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

The Port Authority is covered by public official liability insurance with S.H. Smith & Company. Coverage with a private carrier provides 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.

**7. NOTE – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Port Authority. The impact on the Port Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**Mason Port Authority**  
*Warren County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*General Fund*  
*For the Year Ended December 31, 2018*

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<b>Cash Receipts</b>	
Intergovernmental	\$400,000
	<u>400,000</u>
<i>Total Cash Receipts</i>	<u>400,000</u>
<b>Cash Disbursements</b>	
Community Development	202,012
General Government	270
	<u>202,282</u>
<i>Total Cash Disbursements</i>	<u>202,282</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>197,718</u>
<b>Other Financing Receipts (Disbursements)</b>	
Other Financing Sources	53,405
	<u>53,405</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>53,405</u>
<i>Net Change in Fund Cash Balances</i>	251,123
<i>Fund Cash Balances, January 1</i>	<u>841,568</u>
<b>Fund Cash Balances, December 31</b>	
Restricted	400,000
Assigned	12,918
Unassigned (Deficit)	679,773
	<u>679,773</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,092,691</u></u>

*See accompanying notes to the basic financial statements*

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**MASON PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. DESCRIPTION OF THE REPORTING ENTITY**

The Mason 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 June 2005 pursuant to section 4582.22 of the Ohio Revised Code by ordinance of the City of Mason, Ohio. The five 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 for purposes of enhancing, fostering, providing or promoting transportation, economic development, housing, recreation, education, government operations, culture and research.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant of the Port Authority’s accounting policies are described below:

**A. Basis of Presentation**

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These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**B. Fund Accounting**

The Port Authority uses fund accounting to segregate cash and investments that are restricted as to use. The Port Authority relies upon the City of Mason to be a fiduciary fiscal agent to maintain the fund accounting records. The Port Authority only has a General Fund. The General Fund reports all financial resources except those required to be accounted for in another fund.

**C. Budgetary Data**

Ohio Revised Code Section 4582.13 requires the Port Authority annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

**MASON PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**D. Cash and Cash Equivalents**

The Port Authority maintains a cash management program whereby cash is deposited with the City of Mason as the Port Authority's fiscal agent. The fiscal agent restricts activity to deposits restricted by the provisions of Ohio Revised Code. Investment procedures are also restricted by the provisions of the Ohio Revised Code.

The Port Authority has no investments.

**E. Operating and Non-Operating Receipts and Disbursements**

There are no operating or non-operating receipts and disbursements on the financial statement; only cash receipts, cash disbursements, and other financing receipts/disbursements.

**F. Fund Balance**

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**MASON PORT AUTHORITY  
WARREN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**G. Conduit Debt**

The Port Authority issues conduit debt on behalf of third parties. The Port Authority classifies debt as conduit debt when all of the following characteristics exist; the proceeds from the debt issuance benefits a third party, the debt obligation is payable solely from pledged receipts and is not an obligation of the Port Authority, and the third party has ultimate control over and primary benefit from the asset resulting from the expenditure of bond proceeds.

**3. DEPOSITS**

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

The Port Authority maintains a cash management program whereby cash is deposited with the City of Mason as the Port Authority’s fiscal agent. The City of Mason maintains a deposit and investment pool of funds including those held on behalf of the Port Authority. At fiscal year-end, the carrying value of the Port Authority’s deposits was \$1,092,691. Not all of the Port Authority’s deposits were insured by federal depository insurance. The remaining amount is in the Ohio Pooled Collateral System (OPCS). Ohio law requires that deposits be insured, be in the OPCS, 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. Under OPCS, the Ohio Treasurer’s Office monitors a participating financial institution’s pledge of collateral securities. The Ohio Treasurer’s Office establishes and maintains a perfected security interest in the pledge of collateral securities.

**4. LOAN RECEIVABLES**

The Port Authority loans funds for economic development purposes that may be forgiven if specific construction, employment, and payroll targets are met. Failure to meet or exceed the objectives in the loan requires the business to repay the amount due for the semiannual reporting period. The following are the outstanding loan receivable at the end of the fiscal year:

<b>Company</b>	<b>Year of Loan/Last</b>	<b>Loan</b>	<b>Principal Forgiven</b>	<b>Principal Paid</b>	<b>Principal Balance</b>
Skilled Care	2006/2029	\$400,000	\$32,358	\$125,509	\$ 242,133

**MASON PORT AUTHORITY  
WARREN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

Spear	2009/2026	50,000	21,235	-	28,765
AssureRx	2011/2026	100,000	30,400	-	69,600
Top Gun Sales	2012/2031	200,000	-	17,100	182,900
Intelligrated	2012/2031	300,000	34,400	-	265,600
Atricure	2015/2035	340,000	-	-	340,000
Mitsubishi	2015/2036	100,000	-	-	100,000
Festo	2016/2028	500,000	-	-	500,000
360 Pharma	2016/2036	100,000	-	-	100,000
Intelligrated	2016/2033	400,000	-	-	400,000
AssureRx	2018/2037	205,000	-	-	205,000
<b>Total</b>					<b><u>\$2,433,998</u></b>

**5. Conduit Revenue Bond Obligations; Lease Financing**

Port authorities may provide assistance through issuance of conduit revenue bond obligations, including utilizing lease financing structures, to finance the acquisition, construction, equipping, furnishing and other improvement of a project to promote jobs and economic development, and the Port Authority may utilize its power to own and lease such a project to provide financial and accounting advantages to non-governmental users. Lease revenue bond financing has been used to convey a variety of such incentives, including applicable tax exemptions and preferred accounting treatment to the lessee/user of the project. Such lease financings can take the form of either a capital lease or an operating lease, depending on intended results.

Port Authority conduit revenue bonds are payable solely from the net revenues derived from the respective projects and related loan, lease or other similar agreements and are not otherwise an obligation of the Port Authority. Accordingly, the bonds and any related leases, contracts or other agreements are not reflected in the Port Authority's financial statements. Information regarding the status of any such matters must be obtained from the bond trustee, bond registrar, paying agent or other source identified in the bond proceedings.

In 2015, the Port Authority issued conduit revenue bond obligations and provided related capital lease financing to provide for the expansion of the Mason Business Center to serve as the location of the Procter & Gamble Beauty Innovation Center. The Port Authority authorized and sold up to \$420,000,000 of conduit revenue bonds to finance such expansion, acquired title to or a leasehold in related assets, and leased all such assets, together with the expansion to an affiliate of the company. The conduit revenue bond obligations outstanding for this transaction at December 31, 2018 aggregated approximately \$377,202,911.

The Port Authority had no other outstanding conduit revenue bond obligations or lease financings in effect at December 31, 2018.

**6. RISK MANAGEMENT**

***MASON PORT AUTHORITY  
WARREN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018***

The Port Authority is covered by public official liability insurance with S.H. Smith & Company. Coverage with a private carrier provides 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.

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Corporate Centre of Blue Ash  
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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**

Mason Port Authority  
Warren County  
6000 Mason-Montgomery Road  
Mason, Ohio 45040

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Mason Port Authority, Warren County, (the Port Authority) as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2020 wherein we noted the Port Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and how the continuing emergency measures may impact subsequent periods of the Port Authority.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

November 16, 2020



# OHIO AUDITOR OF STATE KEITH FABER



**MASON PORT AUTHORITY**

**WARREN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 12/22/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)