

**WARREN COUNTY PORT AUTHORITY  
WARREN COUNTY, OHIO  
FINANCIAL STATEMENTS  
December 31, 2011**





# Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Warren County Port Authority, Warren County, prepared by Joseph Decosimo and Company, LLC, for the audit period January 1, 2011 through December 31, 2011. 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 "Dave Yost".

Dave Yost  
Auditor of State

March 21, 2013

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

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors  
Warren County Port Authority  
Warren County, Ohio

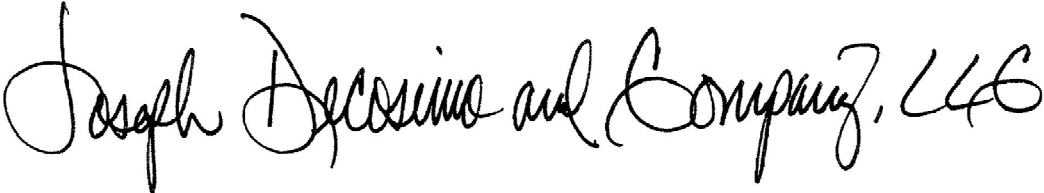
We have audited the accompanying basic financial statements of the business-type activities of the Warren County Port Authority (the "Port Authority"), as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Warren County Port Authority, as of December 31, 2011, and the changes in its financial position and its cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Joseph Decossimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio  
January 10, 2013



**WARREN COUNTY PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2011**  
**(UNAUDITED)**

The discussion and analysis of the Warren County Port Authority (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2011. 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 2011 are as follows:

- 2011 provided the Port Authority with \$40,851 (up from \$18,295 fiscal year 2010) in administrative fees from projects.
- The operating ending cash and cash equivalents balance was \$123,252, which was a 10% decrease from the 2010 ending balance, resulting from additional legal fees related to project expenses that will be reimbursed if the project is completed.
- Operating expenses were \$243,019, which were significantly greater than operating revenues.
- The two construction projects reported a combined \$957,661 in tax increment revenue. This revenue is the underlying revenue source to repay the debt obligations.

### **Using this Financial Report**

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

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**Statement of Net Assets**

The statement of net assets answers the question, “How did we do financially during the year?” This statement includes all assets and liabilities, both financial and capital, and short-term and long-term debt, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Net assets are reported in three broad categories (as applicable):

**Net assets, Invested in Capital Assets, Net of Related Debt:** This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

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

**Unrestricted Net Assets:** Consists of net assets that do not meet the definition of “Net Assets Invested in Capital Assets, Net of Related Debt” or “Restricted Net Assets”.

Table 1 provides a comparison of the Port Authority’s net assets for 2010 to 2011.

**Table 1 - Net Assets**

	2010	2011
<b>Assets:</b>		
Current assets	\$2,607,330	\$2,517,218
Intergovernmental receivable – long term	15,375,000	15,145,000
Deferred charges	589,878	561,701
Depreciable capital assets, net	2,434,515	2,372,090
Total Assets	21,006,723	20,596,009
<b>Liabilities:</b>		
Current liabilities	317,385	324,123
Long term liabilities	15,375,000	15,145,000
Total Liabilities	15,692,385	15,469,123
<b>Net Assets:</b>		
Restricted for Debt Service	1,909,813	1,717,653
Restricted for Capital Projects	327,176	446,313
Unrestricted	3,077,349	2,962,920
Total Net Assets	\$5,314,338	\$5,126,886

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For 2011, the Port Authority saw current assets decreased as the cash balance in the bond trust accounts were used either for the project (CPO) or paid interest on the bonds (VH Monroe). The Port Authority's large net assets are a direct result of the intergovernmental receivable being offset with the long term liabilities associated with the Port Authority. The Port Authority's debt obligations are secured by several sources that help eliminate the risk associated with not completely owning the assets.

Table 2 compares the changes in net assets for the year 2010 and 2011.

**Table 2 - Changes in Net Assets**

	2010	2011
<b>Operating Revenues:</b>		
Administrative Fees	\$18,295	\$40,851
Interest and Other Revenue	1,572	78
Total Operating Revenues	<u>19,867</u>	<u>40,929</u>
<b>Operating Expenses:</b>		
Legal fees	39,259	95,267
Accounting	11,306	2,306
Professional Services	14,622	8,478
Other General Administration	138,175	70,554
Insurance	3,993	3,989
Depreciation	62,425	62,425
Total Operating Expenses	<u>269,780</u>	<u>243,019</u>
Operating Loss	<u>(249,913)</u>	<u>(202,090)</u>
<b>Nonoperating Revenues (Expenses):</b>		
Interest Revenue	1,978	116
Local Contributions	343,232	957,661
Interest Expense	(945,729)	(943,139)
Total Nonoperating Revenues (Expenses)	<u>(600,519)</u>	<u>14,638</u>
Change in Net Assets	(850,432)	(187,452)
Net Assets, Beginning of Year	6,164,770	5,314,338
Net Assets, End of Year	<u>\$5,314,338</u>	<u>\$5,126,886</u>

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The Port Authority saw administrative fee activity increase related to the administrative fee on prior debt issues and reimbursement for other expenses. The Port Authority also received about \$8,000 in connection with the YMCA conduit financing from the Butler County Port Authority as the actual construction project occurred in Warren County but also involved refinancing of Butler County debt.

The Port Authority's expenses increased as the legal expenses on project related activity were significantly higher and the related expenses for accounting decreased as the Port Authority had an audit in 2010 for fiscal years 2007 to 2009.

**Capital Assets**

The Port Authority recognized net land improvements of \$2,372,090 at December 31, 2011. For more information on the Port Authority's depreciable capital assets, net see note 4.

**Debt**

The Port Authority saw \$225,000 retired on the Cincinnati Premium Outlets public improvements bonds. For more information on the Port Authority's debt see note 6.

**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 ASSETS  
DECEMBER 31, 2011**

**ASSETS:**

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 123,252
Restricted Cash and Cash Equivalents	2,163,966
Intergovernmental Receivable	230,000
<b>TOTAL CURRENT ASSETS</b>	<u>2,517,218</u>

NON CURRENT ASSETS:

Intergovernmental Receivable	15,145,000
Deferred Charges	561,701
Depreciable Capital Assets, Net	2,372,090
<b>TOTAL CURRENT ASSETS</b>	<u>18,078,791</u>

<b>TOTAL ASSETS</b>	<u><u>20,596,009</u></u>
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**LIABILITIES:**

CURRENT LIABILITIES:

Accounts Payable	14,475
Accrued Interest Payable	79,648
Special Obligation Bonds - Due in One Year	230,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>324,123</u>

LONG TERM LIABILITIES:

Special Obligation Bonds	15,145,000
<b>TOTAL LONG TERM LIABILITIES</b>	<u>15,145,000</u>

<b>TOTAL LIABILITIES</b>	<u>15,469,123</u>
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**NET ASSETS:**

Restricted for Debt Service	1,717,653
Restricted for Capital Projects	446,313
Unrestricted	2,962,920
<b>TOTAL NET ASSETS</b>	<u><u>\$ 5,126,886</u></u>

See accompanying notes to the financial statements

**WARREN COUNTY PORT AUTHORITY  
WARREN COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**OPERATING REVENUES:**

Administrative Fees	\$	40,851
Interest		53
Other Revenues		25
		40,929
Total Operating Revenues		40,929

**OPERATING EXPENSES:**

Insurance		3,989
Legal Fees		95,267
Accounting		2,306
Professional Services		8,478
Other General Administration		70,554
Depreciation		62,425
		243,019

Total Operating Expenses 243,019

Operating Loss (202,090)

**NONOPERATING REVENUES (EXPENSES):**

Interest Revenue		116
Local Contributions - nonoperating		957,661
Interest Expense		(943,139)
		14,638

Nonoperating Revenues, Net 14,638

**CHANGE IN NET ASSETS** (187,452)

Net Assets Beginning of Year		5,314,338
Net Assets End of Year	\$	5,126,886

See accompanying notes to the financial statements

**WARREN COUNTY PORT AUTHORITY  
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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 49,146
Cash payments to supplier for goods and services	(178,294)
Other miscellaneous revenue	78
Net cash used for operating activities	<u>(129,070)</u>
<b>Cash flows from noncapital financing activities:</b>	
Local Contributions	1,182,661
Net cash provided by noncapital financing activities	<u>1,182,661</u>
<b>Cash Flows from capital and related financing activities:</b>	
Principal Paid on Project Improvement Notes	(225,000)
Interest Paid on All Debt	(915,524)
Net cash used for capital and related financing activities	<u>(1,140,524)</u>
<b>Cash flows from investing activities:</b>	
Net Interest received	116
Net cash provided by investing activities	<u>116</u>
Net Decrease in Cash and Cash Equivalents	(86,817)
Cash and cash equivalents at beginning of year	<u>2,374,035</u>
Cash and cash equivalents at end of year	<u>\$ 2,287,218</u>
<b>Reconciliation of operating loss to net cash used for operating activities</b>	
Operating Loss	(202,090)
Depreciation	62,425
Adjustments to reconcile operating loss to net cash used for operating activities	
Decrease in Intergovernmental Receivable	8,295
Increase in Accounts Payable	<u>2,300</u>
Net cash used for operating activities	<u>\$ (129,070)</u>

See accompanying notes to the financial statements

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**WARREN COUNTY PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**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. 14, *The Financial Reporting Entity*, in that the financial statements include all divisions and operations for which the Port Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization’s government board and is able to impose its will on the organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or to impose specific financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Port Authority itself is included in the financial reporting entity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements of 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 Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Port Authority’s accounting policies are described below.

**WARREN COUNTY PORT AUTHORITY**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation**

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

**B. Measurement Focus and Basis of Accounting**

The 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 asset and all liabilities are included on the statement of net assets. Equity (i.e., net assets) consists of retained earnings. The statement of revenues, expenses and changes in net assets present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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.

**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.

**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 market value. Investment procedures are restricted by the provisions of the Ohio Revised Code.

**WARREN COUNTY PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

For purposes of the statement of cash flows and for presentation on the statement of net assets, 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. Non-participating investment contracts, such as certificates of deposit, are reported at cost. During fiscal year 2011 investments were limited to U.S. Treasury bills and money market mutual funds.

Interest revenue earned during 2011 was \$116.

**E. Restricted Cash**

The Port Authority holds various deposits 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 \$2,163,966 as of December 31, 2011.

**F. Capital Assets**

Capital assets generally result from expenses related to construction projects. These assets are reported on the statement of net assets. 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 based 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 collectibility. The Port Authority did have an intergovernmental receivable at December 31, 2011 from the City of Monroe in connection with the special assessment assigned the VH Monroe project as collateral to pay the Port Authority's public improvement bonds.

**H. Organizational Costs**

Organizational costs were expensed during the fiscal year as the Port Authority incurred minimum expenses in organizing and would be considered immaterial to capitalize and amortize over a forty year period.

**WARREN COUNTY PORT AUTHORITY**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Operating and Non-Operating 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 and administrative fees earned in connection with the projects. Operating expenses are necessary costs incurred to support the Port Authority's primary mission, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Port Authority's primary mission. Various state grants, local government contributions, interest income and expenses comprise the non-operating revenues and expenses of the Port Authority.

**J. 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 and other related financing amounts are reported as a liability or deferred assets on the statement of net assets.

**K. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation and net of related debt. Net assets are 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 assets are available.

**L. Subsequent Events**

The Port Authority has evaluated subsequent events for potential recognition and disclosure through January 10, 2013, the date the financial statements were available to be issued.

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**3. DEPOSITS AND INVESTMENTS**

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.

**Deposits**

At fiscal year-end, the carrying value of the Port Authority's deposits was \$123,252 and the bank balance was \$122,819. All of the Port Authority's deposits were insured by federal depository insurance.

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

**Investments**

As of December 31, 2011, the Port Authority had the following investments.

Categorized Investments	Less than One Year	Credit Rating
Money Market Mutual Funds	\$2,163,966	S&P – AAAM

*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.

*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.

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**3. DEPOSITS AND INVESTMENTS (continued)**

*Concentration of Credit Risk* - The Port Authority places no limit on the amount it may invest in any one issuer. The Port Authority has all of its investments in Money Market Mutual funds due to the current interest rate environment. This is the only investment of the Port Authority greater than five percent.

**4. CAPITAL ASSETS**

A summary of the changes in capital assets during the year ended December 31, 2011, follows:

	Balance 12/31/2010	Increases	Decreases	Balance 12/31/2011
Capital Assets, being depreciated				
Land Improvements – Retention Pond	\$2,496,940	\$0	\$0	\$2,496,940
Accumulated Depreciation	(62,425)	(62,425)	0	(124,850)
Total Capital Assets	\$2,434,515	(\$62,425)	\$0	\$2,372,090

**5. RISK MANAGEMENT**

The Port Authority is covered by public official liability insurance with Darwin Select Insurance 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.

**6. LONG TERM OBLIGATIONS**

A summary of the changes in long-term obligations during the year ended December 31, 2011 follows:

	<b>Balance 12/31/2010</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance 12/31/2011</b>	<b>Due within one year</b>
Project Improvement Bonds	\$10,000,000	\$0	\$0	\$10,000,000	\$0
Special Obligations Bonds	5,600,000	0	225,000	5,375,000	230,000
Total	\$15,600,000	\$0	\$225,000	\$15,375,000	\$230,000

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**6. LONG TERM OBLIGATIONS (continued)**

The project improvement bonds were issued at an interest rate between 7.00 and 7.50 percent on September 24, 2008. The debt was issued for the purpose of constructing street improvements, utilities and a storm water control system in a commercial development. 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 following are schedules of future debt service requirements to maturity at December 31, 2011.

Project Improvement Bonds			
Years	Principal	Interest	Total
2012	\$0	\$724,575	\$724,575
2013	0	724,575	724,575
2014	0	724,575	724,575
2015	0	724,575	724,575
2016	0	724,575	724,575
2017-2021	1,430,000	3,481,475	4,911,475
2022-2026	2,430,000	2,803,875	5,233,875
2027-2031	3,420,000	1,816,575	5,236,575
2032-2034	2,720,000	418,125	3,138,125
Totals	\$10,000,000	\$12,142,925	\$22,142,925

Special Obligation Bonds			
Years	Principal	Interest	Total
2012	\$230,000	\$231,200	\$461,200
2013	240,000	224,300	464,300
2014	245,000	217,100	462,100
2015	255,000	209,136	464,136
2016	260,000	200,212	460,212
2017-2021	1,465,000	842,440	2,307,440
2022-2026	1,820,000	491,128	2,311,128
2027-2028	860,000	66,100	926,100
Totals	\$5,375,000	\$2,481,616	\$7,856,616

**WARREN COUNTY PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**7. PROJECTS**

VH Monroe Special Assessment Project

The Port Authority has worked with the City of Monroe and VH Monroe to partner with the parties to provide assistance to the project through a special assessment note and bond issuance that occurred in 2008. The VH Monroe project will provide for large commercial/industrial development on the western edge of Warren County in the City of Monroe. The VH Monroe project is located on the southeastern corner of State Route 63 and Interstate 75. The Port Authority's role was necessary to help move this 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 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 \$15,375,000 in contributions from the City of Monroe for this project from those receipts. The intergovernmental receivable will be reduced by the annual payments although the special assessment receipts could vary since they are certified annually based on expected payments in lieu of taxes for each year.

Cincinnati Premium Outlets

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

E-Beam Services

The Port Authority worked with E-Beam Services to help facilitate the use of economic recovery zone facility bonds for the building expansion and related equipment needs. The conduit debt financing closed on August 31, 2010 for \$6,500,000, with \$6,295,000 outstanding at December 31, 2011. The project is completely backed and secured through E-Beam Services and merely reported as a conduit debt issued through the Port Authority.



**WARREN COUNTY PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**8. INTERGOVERNMENTAL RECEIVABLE**

In closing projects relating to the VH Monroe and Chelsea Properties, and City of Monroe, via various agreements, implicitly guaranteed the \$15,600,000 in project improvements and special obligations held by the Port Authority, resulting in a due from the City of Monroe receivable for a corresponding amount. The balance due from the City of Monroe as of December 31, 2011 was \$15,375,000.

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

**REPORT ON INTERNAL  
CONTROL AND COMPLIANCE**

**December 31, 2011**

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

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**REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Warren County Port Authority  
Warren County, Ohio

We have audited the financial statements of the business-type activities of the Warren County Port Authority (the "Port Authority") as of and for the year ended December 31, 2011, which comprise the Port Authority's basic financial statements and have issued our report thereon dated January 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Port Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Port Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

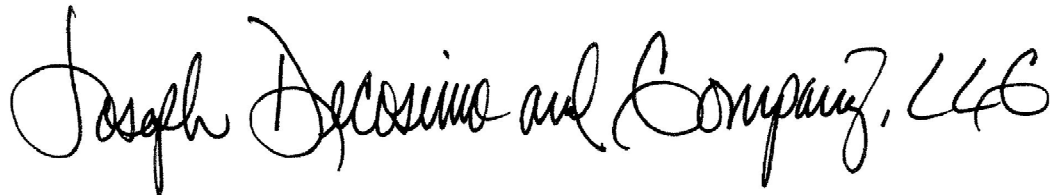
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2011-01 to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as finding 2011-01.

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

This report is intended solely for the information and use of the Board of Directors, management and others within the Port Authority and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Joseph Decosimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio  
January 10, 2013

**WARREN COUNTY PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2011**

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**FINDING NUMBER 2011-01 - Material Weakness - Internal Control - Compliance Citation - Proper Certification of Purchases**

**CRITERIA**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Additionally, an entity's internal control should be designed to prevent or detect misstatements in the financial statement assertions. Obtaining proper certification of the availability of funds prior to entering into a contract or ordering an expenditure is a key element to a strong system of internal controls over the cash disbursement process.

**CONDITION**

During testwork over non-payroll disbursements for the fiscal year ended December 31, 2011, we noted three disbursements out of a total of nine disbursements selected for testwork, for which no purchase order or fiscal officer certification was issued and five other disbursements for which the purchase order was dated on or after the invoice date.

**CAUSE**

Due to limited staffing and minimal transactions, a fully implemented purchase order system is cost-prohibitive. For operational purposes, it is inefficient to obtain a purchase order signed by the fiscal officer prior to entering into all contracts and expenditures.

**EFFECT**

Failure to properly certify the availability of funds prior to making contracts or ordering expenditures can result in overspending funds and negative cash balances.

**RECOMMENDATION**

We recommend that the Port Authority review and amend its policies and procedures, as appropriate, to ensure that it requires that appropriate certification of the availability of funds be obtained prior to making contracts or ordering expenditures.

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION**

Management concurs and acknowledges the finding. Due to limited staffing and minimal transactions, management believes that the costs of a fully implemented purchase order system would outweigh the benefits. On a monthly basis, board members receive and approve the following:

- Financial statements (month-to-date and year-to-date)
- Budget to actual schedules

Management believes that the full disclosure of this financial information reduces the risk of error, omission or overspending to an acceptable level. Management will also consider, as part of this reporting process, disclosing individual invoices along with providing the operating bank statement to the Board for their approval.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended December 31, 2011**

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2010-01	The Port Authority did not adopt an operating budget, nor did it establish appropriations or estimated receipts, in accordance with Ohio Revised Code, §4582.02.	Yes	
2010-02	Uncorrected material misstatement of beginning net assets	Yes	

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# Dave Yost • Auditor of State

**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  
APRIL 2, 2013**