



Dave Yost • Auditor of State

**BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Butler County Port Authority
Butler County
315 High Street
Hamilton, Ohio 45011

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Butler County Port Authority, Butler County, Ohio (the Port Authority), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Port Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Port Authority's internal control. Accordingly, we express no 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 Butler County Port Authority, Butler County, Ohio, as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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 June 13, 2014, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 13, 2014

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(UNAUDITED)

The discussion and analysis of the Butler County Port Authority (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

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

Financial Highlights

Key financial highlights for 2013 are as follows:

- The Port Authority generated \$118,695 in administrative fees during the year.
- The ending cash balance decreased to \$10,564.
- Personnel costs made up 78% of all operating expenses in 2013.

Using this Financial Report

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

Statement of Net Position

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

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(UNAUDITED)

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

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

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

Unrestricted Net Position: Consists of net position that do not meet the definition of "Net Position Net Investment in Capital Assets, Net of Related Debt" or "Restricted Net Position".

Table 1 provides a summary of the Port Authority's net position for 2012 and 2013.

Table 1 - Net Position

	2012	2013
Assets:		
Current and other assets	\$36,110	\$10,564
Long term assets	15,685,000	15,195,000
Total Assets	15,721,110	15,205,564
Liabilities:		
Current liabilities	496,047	516,769
Long term liabilities	15,195,000	14,685,000
Total Liabilities	15,691,047	15,201,769
Net Position:		
Unrestricted	30,063	3,795
Total Net Position	\$30,063	\$3,795

The Port Authority has seen the project activity increase and administrative fees increase over the past two years since only receiving \$17,330 in 2011. For 2012, the Port Authority received \$63,695 and 2013 received \$118,695. The expenses also increased as a full time Director was responsible for generating additional fees but also increasing the operating expenses. The expenses in 2013 were \$146,890 compared to \$80,623 in 2012. The long term assets and liabilities relate to the lease and long term debt on the YMCA conduit debt issued.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(UNAUDITED)

Table 2 - Changes in Net Position

	<u>2012</u>	<u>2013</u>
Operating Revenues:		
Administrative Fees	\$63,695	\$118,695
Other	54	1,916
Total Operating Revenues	<u>63,749</u>	<u>120,611</u>
Operating Expenses:		
Salaries	22,557	84,915
Fringe Benefits	8,262	30,018
Legal fees	7,836	4,854
Accounting	11,416	3,327
Administration	12,819	11,210
Professional Services	5,584	0
Insurance	4,307	4,969
Intergovernmental	7,842	7,597
Total Operating Expenses	<u>80,623</u>	<u>146,890</u>
Operating (Loss)	<u>.(16,874)</u>	<u>(26,279)</u>
Nonoperating Revenues (Expenses):		
Interest	21	11
Capital Grants	1,789	0
Capital Distributions	(93,572)	0
Legal Fees related to Projects	(378)	0
Total Nonoperating Revenue (Expense)	<u>(92,140)</u>	<u>11</u>
Change in Net Position	(109,014)	(26,268)
Net Position Beginning of Year	<u>139,077</u>	<u>30,063</u>
Net Position, End of Year	<u>\$30,063</u>	<u>\$3,795</u>

During 2013, the Port Authority saw administrative fees increase as the Port Authority was involved in refinancing the Maple Knolls Revenue bonds in July 2013. The Port Authority also received \$42,000 from Butler County for using the Executive Director in prior years as interim County Administrator. The operating expenses increased as the Executive Director was back on a full time basis. Personnel costs make up 78% of all expenses.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(UNAUDITED)

Capital Assets

The Port Authority had no capital assets at December 31, 2013.

Debt

The Port Authority reports \$15,195,000 in revenue bonds at December 31, 2013 related to the YMCA conduit financing. For more information on the Port Authority's debt, see note 6 to basic financial statements.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Butler 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: Butler County Port Authority, 315 High Street, Hamilton, Ohio 45011 or by calling (513) 785-6302.

**BUTLER COUNTY PORT AUTHORITY
 BUTLER COUNTY, OHIO
 STATEMENT OF NET POSITION
 DECEMBER 31, 2013**

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 10,564
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LONG TERM ASSETS:

Receivable from YMCA	<u>15,195,000</u>
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TOTAL ASSETS	<u><u>15,205,564</u></u>
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	4,074
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Accrued Wages	2,695
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Current Portion of Revenue Bonds Payable	<u>510,000</u>
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TOTAL CURRENT LIABILITIES:	<u><u>516,769</u></u>
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LONG TERM LIABILITIES:

Revenue Bonds Payable	<u>14,685,000</u>
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TOTAL LIABILITIES	<u><u>15,201,769</u></u>
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NET POSITION:

Unrestricted	<u>3,795</u>
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TOTAL NET POSITION	<u><u>\$ 3,795</u></u>
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See accompanying notes to the basic financial statements

**BUTLER COUNTY PORT AUTHORITY
 BUTLER COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2013**

OPERATING REVENUES:

Administrative Fees	\$ 118,695	
Other Revenues	1,916	<u>120,611</u>
Total Operating Revenues		<u>120,611</u>

OPERATING EXPENSES:

Salaries	84,915	
Fringe Benefits	30,018	
Insurance	4,969	
Legal Fees - Operating	4,854	
Accounting	3,327	
Other General Administration	11,210	
Intergovernmental	7,597	<u>146,890</u>
Total Operating Expenses		<u>146,890</u>
Operating Loss		<u>(26,279)</u>

NONOPERATING REVENUES

Interest		<u>11</u>
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CHANGE IN NET POSITION

		<u>(26,268)</u>
Net Position Beginning of Year	30,063	
Net Position End of Year	\$ 3,795	<u><u>3,795</u></u>

See accompanying notes to the basic financial statements

**BUTLER COUNTY PORT AUTHORITY
 BUTLER COUNTY, OHIO
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash flows from operating activities:	
Cash received from customers	\$ 129,195
Cash payments to employees for services	(116,341)
Cash payments to supplier for goods and services	(29,827)
Cash received from other sources	1,970
Net cash used for operating activities	<u>(15,003)</u>
Cash flows from investing activities:	
Interest received	<u>11</u>
Net cash provided by investing activities	<u>11</u>
Net Decrease in Cash and Cash Equivalents	(14,992)
Cash and cash equivalents at beginning of year	25,556
Cash and cash equivalents at end of year	<u>\$ 10,564</u>
Reconciliation of operating loss to net cash used for operating activities	
Operating Loss	(26,279)
Adjustments to reconcile operating loss to net cash used for operating activities	
Increase in Accounts Receivable	10,554
Decrease in Accounts Payable	3,064
Increase in Accrued Wages	<u>(2,342)</u>
Net cash used for operating activities	<u>\$ (15,003)</u>

See accompanying notes to the basic financial statements

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BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. DESCRIPTION OF THE REPORTING ENTITY

The Butler 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 September 2004 pursuant to section 4582.22 of the Ohio Revised Code by resolution of Butler 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 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 Butler 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.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 position. Equity (i.e., net position) consists of retained earnings. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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 4582.39 requires the port authority to annually prepare a budget.

Ohio Revised Code Section 5705(B)(2)(a) the Port Authority, on or before the fifteenth day of July each year, to adopt an operating budget for the ensuing fiscal year. The operating budget should include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Ohio Revised Code Section 5705(B)(2)(b) requires the Port Authority to comply with certain sections of Ohio Revised Code Section and certify beginning balances on or about the first day of each fiscal year; certify revenue available for appropriation; adopt appropriations within available resources; certify the availability of funds prior to incurring obligations; and, limit expenditures to appropriations for each fund. However, documents prepared in accordance with such Sections are not required to be filed with the county auditor or county budget commission.

For 2013, the Port Authority did certify beginning balances on or about the first day of each fiscal year; certify revenue available for appropriation; and adopt appropriations within available resources.

D. Cash and Cash Equivalents

The Port Authority maintains a cash management program whereby cash is deposited with a banking institution in Butler 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. The Port Authority had no investments at the end of the year.

For purposes of the statement of cash flows and for the presentation on the statement of net position, the funds in the cash management pool are considered to be cash equivalents.

E. Intergovernmental Receivable

Receivables recorded 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 had receivables related to operational administration fees from Butler County at December 31, 2013.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Organizational Costs

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

G. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly at the Port Authority's primary mission. For the Port Authority, operating revenues include intergovernmental contributions to fund operations and local business contributions to work on grant applications as well as administrative fees charged to cover operating expenses. Operating expenses are necessary costs incurred to support the Port Authority's primary mission.

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

H. Accrued Liabilities

In general, payables and accrued liabilities are reported as obligations regardless of whether they will be liquidated with current resources.

I. Net Position

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

J. Conduit Debt Financing

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

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Estimates

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

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority as:

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

Deposits

At fiscal year-end, the carrying value of the Port Authority's deposits was \$10,564 and the bank balance was \$10,564. All of the bank balance was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, \$0 of the deposits were exposed to custodial credit risk.

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, 2013, the Port Authority had no investments.

4. CAPITAL ASSETS

As of December 31, 2013, the Port Authority had no capital assets.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

5. RISK MANAGEMENT

The Port Authority is covered by general liability and public official liability insurance with the National Union Fire Insurance Company of Pittsburg, PA. 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years. There were no changes in coverage from the prior year.

6. CONDUIT DEBT PAYABLE

The Port Authority has issued debt obligations on behalf of the Greater Miami Valley YMCA (the "YMCA") for the purpose of constructing a new facility in coordination with the Middletown Regional Hospital's Atrium Facility along Interstate 75 and the refinancing of outstanding debt on other YMCA facilities in Butler County. This bond and the interest thereon do not constitute debt or liability by the Port Authority, Butler County or the State of Ohio, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. The Port Authority has elected to report both the liability and respective asset (receivable from the YMCA) on the face of the financial statements.

The following revenue bond was collateralized by either both of a pledge of the revenues of the borrowing institution (which is not determinable by the Port Authority or required to be determined under the loan covenant) or by first mortgages on the physical property financed with the proceeds of the debt offerings and by the Port Authority's assignment of its interest in the mortgage properties to the trustee of the bond issue at December 31, 2013:

Revenue Bond	Maturity Date	Interest Rate	Principal Balance as of 12/31/13
Greater Miami Valley YMCA Project (1)	09/01/2037	Varies	\$15,195,000

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

7. PROJECTS

Electric Lock/Switch Replacement

The Port Authority applied for and received a reimbursable grant through the Ohio Rail Development Commission. The Port Authority replaced a manual lock located in the City of Fairfield that serves three local businesses. With the electric lock, the rail movement will be expedited from several day delays to possibly same day service. The project was completed in the spring of 2007. The Port Authority and CSX, Inc. have a reimbursement agreement that will pay a user fee up to \$50,000 in rebates for increased traffic as a result of the electric lock switch over the next three years. The first rebate was in February 2008. The final reimbursement was received by the Port during 2010.

Quaker Chemicals Expansion

The Port Authority worked with Quaker Chemicals on issuance of industrial development revenue bonds in 2008. These bonds helped Quaker Chemicals, along with State of Ohio grants and City of Middletown economic development aid, make improvements to the current Middletown facility and by adding about 12,000 square feet of production space.

Middletown Regional Hospital (the "Hospital") Demolition Project

During 2007, the Port Authority was awarded a \$1.8 million grant from the Clean Ohio Revitalization Fund for the demolition and revitalization of the facility located on McKnight Drive in Middletown. The Port Authority and Hospital finalized a construction agency agreement and purchase-sale agreement allowing for the old Hospital facility to be demolished and then sold to a developer that will turn the site into market rate homes. The project had been completed by September 1, 2009 although not transferred to a developer at December 31, 2010. The Port Authority filed a No Further Action Letter.

The Port Authority was also the recipient of a \$750,000 Brownsfield Revolving Loan at 1.25 percent interest in relation to this project during 2010. The Hospital is the guarantor and making the annual payments on the loan. The outstanding balance at December 31, 2013 was \$202,497 as the Ohio Department of Development waived \$150,000 on the principal due and the Hospital has made three payments reducing the principal another \$397,503.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

7. PROJECTS (continued)

Intelligrated Acquisition Project

During 2009, the Port Authority entered into discussions with Intelligrated and the State of Ohio Department of Development to aid Intelligrated in the purchase of a facility in West Chester, Ohio. The Port Authority's involvement will involve several debt issues and lease holder of the building Intelligrated will occupy. The project closed during the first quarter of the 2010.

Local Government Innovation Fund Intergrated Development Budget (IDB)

Starting in 2012, the Port Authority was the recipient of a grant through the sourcing office to study development budgeting. The IDB Project is funded by a grant from the State of Ohio's Local Government Innovation Fund Grant (LGIF) Program, which was given to Sourcing Office, a statewide council of governments based in Cleveland, Ohio, to pilot test the IDB approach in Butler County, Ohio. The Butler County Port Authority and Butler County Government played a significant role in organizing local support for the project.

The overall purpose of the project is to study the feasibility of the integrated development budget as a future tool to strengthen financing of economic and community development projects. The IDB approach is designed to provide a fuller accounting of all public investments in economic and community development in terms of organizational operating budgets, economic development incentives, and development-related infrastructure and services, and develop new integrated strategies that increase the return on investment (ROI) for Butler County and its communities.

The Port Authority continued to work on the project into 2013 and a final report is expected in May 2014.

Future Projects

The Port Authority has been involved in discussions with several different projects during 2013; however, those projects did not close during the year. It is expected that one large project financing for the Liberty Community Authority project will occur in mid 2014.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

8. DEFINED BENEFIT PENSION PLAN

Public Employees Retirement System

The Port Authority contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

OPERS administers three separate pension plans as described below:

- The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan

- The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

- The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations with the employer portion at 14 percent. Contributions are authorized by State statute. The fiscal year 2013 contribution rate is 10 percent for pension contributions and are determined actuarially. The Port Authority's required contributions to OPERS for the year ended December 31, 2013, 2012, and 2011 was \$11,160, \$3,171, and \$2,595. 100 percent has been contributed for all the years presented.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

9. POSTEMPLOYMENT BENEFITS

Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2013 employer contribution rate was 14 percent of covered payroll; 1 percent was the portion that was used to fund health care. The Port Authority's actual contributions for the year ended December 31, 2013, 2012, and 2011 that were used to fund OPEB were \$859, \$902, and \$858. 100 percent has been contributed for all the years presented.

The Health Care Preservation Plan (HCPP) adopted by OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increasing January 1 of each year from 2006 and 2008.

10. SUBSEQUENT EVENTS

The Port Authority received a \$15,000 loan from the Butler County Commission (BCC) in January 2014 with original terms for repayment by April 1, 2014. Due to timing of the Liberty Community Authority financing being extended, the BCC agreed to extend the deadline for repayment until later into 2014. In April 2014, the BCC agreed to loan the Port Authority an additional \$40,000. The payment terms require repayment under the same process as the earlier loan.

On May 22, 2014, the Butler County Commission entered into an agreement with the Port Authority to provide administrative and executive director expertise through the County. The Port Authority named David C. Fehr as Executive Director and Fiscal Officer. The Board of County Commissioners intends to hire a new Executive Director in the fall of 2014.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

The discussion and analysis of the Butler County Port Authority (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

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

Financial Highlights

Key financial highlights for 2012 are as follows:

- For the majority of 2012, the Executive Director of the Port Authority was the interim County Administrator.
- The ending cash balance decreased to \$25,556. The decrease is a direct result of closing out the restricted cash balance on the hospital deconstruction project.
- Operating expenses were \$80,623 down \$10,755 from 2011 amount. The reduction was a direct result of expenses being down as the personnel costs were shifted to the County with the borrowing of the Executive Director.
- The Port Authority received \$63,695 in project administration fees from reoccurring project revenue and operating support from the County. The removal of the prevailing wage requirement for Port Authority projects has seen project activity increase.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

Using this Financial Report

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

Statement of Net Position

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

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

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

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

Unrestricted Net Position: Consists of net position that do not meet the definition of "Net Position Net Investment in Capital Assets, Net of Related Debt" or "Restricted Net Position".

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

Table 1 provides a summary of the Port Authority's net position for 2011 and 2012.

Table 1 - Net Position

	<u>2011</u>	<u>2012</u>
Assets:		
Current and other assets	\$240,462	\$36,110
Long term assets	<u>16,150,000</u>	<u>15,685,000</u>
Total Assets	<u>16,390,462</u>	<u>15,721,110</u>
Liabilities:		
Current liabilities	566,385	496,047
Long term liabilities	<u>15,685,000</u>	<u>15,195,000</u>
Total Liabilities	<u>16,251,385</u>	<u>15,691,047</u>
Net Position:		
Restricted	92,161	0
Unrestricted	<u>46,916</u>	<u>30,063</u>
Total Net Position	<u>\$139,077</u>	<u>\$30,063</u>

During 2012, the Port Authority saw project activity increase as the Port Authority was involved in discussion on several different projects. Unfortunately, the Port Authority was not able to close any of those projects during the year. The Port Authority continues to work on five projects beyond 2012. The main change in the assets and liabilities resulted from the YMCA paying their annual principal payments. The Port Authority reports the conduit issue as both an asset and liability as allowed under reporting requirements.

The current and other assets as well as restricted net position dropped as the restricted cash held by the Port Authority on the hospital project was returned to Middletown Regional Hospital during the year.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

Table 2 - Changes in Net Position

	<u>2011</u>	<u>2012</u>
Operating Revenues:		
Administrative Fees	\$17,330	\$63,695
Other Revenues	0	54
Total Revenues	<u>17,330</u>	<u>63,749</u>
Operating Expenses:		
Salaries	35,907	22,557
Fringe Benefits	13,159	8,262
Legal fees	4,860	7,836
Accounting	5,007	11,416
Administration	5,606	12,819
Professional Services	14,913	5,584
Insurance	3,851	4,307
Intergovernmental	8,075	7,842
Total Expenses	<u>91,378</u>	<u>80,623</u>
Operating (Loss)	<u>(74,048)</u>	<u>(16,874)</u>
Nonoperating Revenues (Expenses):		
Interest	128	21
Clean Ohio Revitalization Fund	88,090	0
Capital Grants	53,705	1,789
Capital Distributions	(136,658)	(93,572)
Legal Fees related to Projects	(3,137)	(378)
Total Nonoperating Revenue (Expense)	<u>2,128</u>	<u>(92,140)</u>
Change in Net Position	(71,920)	(109,014)
Net Position, Beginning of Year	210,997	139,077
Net Position, End of Year	<u>\$139,077</u>	<u>\$30,063</u>

The Port Authority saw the Clean Ohio Revitalization Fund, capital grants and capital distributions increase in 2011 as the final draws were made and paid out on the Middletown Regional Hospital project. The administration fees were higher during 2011 resulting from the operating support provided by the County and application fees during the year. The operating expenses were larger during 2011 as the Executive Director costs were transferred to the County during his time as interim county administrator.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(UNAUDITED)

Capital Assets

The Port Authority had no capital assets at December 31, 2012.

Debt

The Port Authority reports \$15,685,000 in revenue bonds at December 31, 2012 related to the YMCA conduit financing. For more information on the Port Authority's debt, see note 6 to basic financial statements.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Butler 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: Butler County Port Authority, 315 High Street, Hamilton, Ohio 45011 or by calling (513) 785-6302.

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**BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 25,556
Accounts Receivables	10,554
TOTAL CURRENT ASSETS	<u>36,110</u>

LONG TERM ASSETS:

Receivable from YMCA	<u>15,685,000</u>
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TOTAL ASSETS	<u><u>15,721,110</u></u>
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	1,010
Accrued Wages	5,037
Current Portion of Revenue Bonds Payable	490,000
TOTAL CURRENT LIABILITIES:	<u>496,047</u>

LONG TERM LIABILITIES:

Revenue Bonds Payable	<u>15,195,000</u>
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TOTAL LIABILITIES	<u>15,691,047</u>
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NET POSITION:

Unrestricted	<u>30,063</u>
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TOTAL NET POSITION	<u><u>\$ 30,063</u></u>
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See accompanying notes to the basic financial statements

**BUTLER COUNTY PORT AUTHORITY
 BUTLER COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2012**

OPERATING REVENUES:

Administrative Fees	\$ 63,695	
Other Revenues	54	
Total Operating Revenues		63,749

OPERATING EXPENSES:

Salaries	22,557	
Fringe Benefits	8,262	
Insurance	4,307	
Legal Fees - Operating	7,836	
Accounting	11,416	
Professional Services	5,584	
Other General Administration	12,819	
Intergovernmental	7,842	
Total Operating Expenses		80,623
Operating Loss		(16,874)

NONOPERATING REVENUES (EXPENSES):

Interest	21	
Legal Fees related to projects	(378)	
Capital Grants	1,789	
Capital Distributions	(93,572)	
Total Nonoperating Revenues (Expenses)		(92,140)

CHANGE IN NET POSITION (109,014)

Net Position Beginning of Year	139,077	
Net Position End of Year	\$ 30,063	

See accompanying notes to the basic financial statements

**BUTLER COUNTY PORT AUTHORITY
 BUTLER COUNTY, OHIO
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2012**

Cash flows from operating activities:	
Cash received from customers	\$ 53,195
Cash payments to employees for services	(25,782)
Cash payments to supplier for goods and services	(52,166)
Net cash used for operating activities	<u>(24,753)</u>
Cash flows from capital related activities:	
Capital grants received for construction project	27,240
Capital distributions for construction project	(190,966)
Other professional services for construction project	(997)
Net cash used for capital related activities	<u>(164,723)</u>
Cash flows from investing activities:	
Interest received	<u>21</u>
Net cash provided by investing activities	<u>21</u>
Net Decrease in Cash and Cash Equivalents	(189,455)
Cash and cash equivalents at beginning of year	<u>215,011</u>
Cash and cash equivalents at end of year	<u><u>\$ 25,556</u></u>
Reconciliation of operating loss to net cash used for operating activities	
Operating Loss	(16,874)
Adjustments to reconcile operating loss to net cash used for operating activities	
Increase in Accounts Receivable	(10,554)
Decrease in Accounts Payable	(2,362)
Increase in Accrued Wages	5,037
Net cash used for operating activities	<u><u>\$ (24,753)</u></u>

See accompanying notes to the basic financial statements

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BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. DESCRIPTION OF THE REPORTING ENTITY

The Butler 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 September 2004 pursuant to section 4582.22 of the Ohio Revised Code by resolution of Butler 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 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 Butler 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. GASB 62 and 63 were applicable after December 15, 2011. The more significant of the Port Authority's accounting policies are described below.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 balance sheet. Equity (i.e., net position) consists of retained earnings. The operating statements 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 4582.39 requires the port authority to annually prepare a budget.

Ohio Revised Code Section 5705(B)(2)(a) the Port Authority, on or before the fifteenth day of July each year, to adopt an operating budget for the ensuing fiscal year. The operating budget should include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Ohio Revised Code Section 5705(B)(2)(b) requires the Port Authority to comply with certain sections of Ohio Revised Code Section and certify beginning balances on or about the first day of each fiscal year; certify revenue available for appropriation; adopt appropriations within available resources; certify the availability of funds prior to incurring obligations; and, limit expenditures to appropriations for each fund. However, documents prepared in accordance with such Sections are not required to be filed with the county auditor or county budget commission.

For 2012, the Port Authority did not certify beginning balances on or about the first day of each fiscal year; certify revenue available for appropriation; and adopt appropriations within available resources.

D. Cash and Cash Equivalents

The Port Authority maintains a cash management program whereby cash is deposited with a banking institution in Butler 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. The Port Authority had no investments at the end of the year.

For purposes of the statement of cash flows and for the presentation on the statement of net position, the funds in the cash management pool are considered to be cash equivalents.

E. Intergovernmental Receivable

Receivables recorded 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 had receivables related to operational administration fees from Butler County at December 31, 2012.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Organizational Costs

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

G. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly at the Port Authority's primary mission. For the Port Authority, operating revenues include intergovernmental contributions to fund operations and local business contributions to work on grant applications as well as administrative fees charged to cover operating expenses. Operating expenses are necessary costs incurred to support the Port Authority's primary mission.

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

H. Accrued Liabilities

In general, payables and accrued liabilities are reported as obligations regardless of whether they will be liquidated with current resources.

I. Net Position

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

J. Conduit Debt Financing

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

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Estimates

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

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority as:

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

Deposits

At fiscal year-end, the carrying value of the Port Authority's deposits was \$25,556 and the bank balance was \$25,556. All of the bank balance was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, \$0 of the deposits were exposed to custodial credit risk.

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, 2012, the Port Authority had no investments.

4. CAPITAL ASSETS

As of December 31, 2012, the Port Authority had no capital assets.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

5. RISK MANAGEMENT

The Port Authority is covered by general liability and public official liability insurance with the National Union Fire Insurance Company of Pittsburg, PA. 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years. There were no changes in coverage from the prior year.

6. CONDUIT DEBT PAYABLE

The Port Authority has issued debt obligations on behalf of the Greater Miami Valley YMCA (the "YMCA") for the purpose of constructing a new facility in coordination with the Middletown Regional Hospital's Atrium Facility along Interstate 75 and the refinancing of outstanding debt on other YMCA facilities in Butler County. This bond and the interest thereon do not constitute debt or liability by the Port Authority, Butler County or the State of Ohio, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. The Port Authority has elected to report both the liability and respective asset (receivable from the YMCA) on the face of the financial statements.

The following revenue bond was collateralized by either both of a pledge of the revenues of the borrowing institution (which is not determinable by the Port Authority or required to be determined under the loan covenant) or by first mortgages on the physical property financed with the proceeds of the debt offerings and by the Port Authority's assignment of its interest in the mortgage properties to the trustee of the bond issue at December 31, 2012:

Revenue Bond	Maturity Date	Interest Rate	Principal Balance as of 12/31/12
Greater Miami Valley YMCA Project	09/01/2037	Varies	\$15,685,000

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

7. PROJECTS

Electric Lock/Switch Replacement

The Port Authority applied for and received a reimbursable grant through the Ohio Rail Development Commission. The Port Authority replaced a manual lock located in the City of Fairfield that serves three local businesses. With the electric lock, the rail movement will be expedited from several day delays to possibly same day service. The project was completed in the spring of 2007. The Port Authority and CSX, Inc. have a reimbursement agreement that will pay a user fee up to \$50,000 in rebates for increased traffic as a result of the electric lock switch over the next three years. The first rebate was in February 2008. The final reimbursement was received by the Port during 2010.

Quaker Chemicals Expansion

The Port Authority worked with Quaker Chemicals on issuance of industrial development revenue bonds in 2008. These bonds helped Quaker Chemicals, along with State of Ohio grants and City of Middletown economic development aid, make improvements to the current Middletown facility and by adding about 12,000 square feet of production space.

Middletown Regional Hospital (the "Hospital") Demolition Project

During 2007, the Port Authority was awarded a \$1.8 million grant from the Clean Ohio Revitalization Fund for the demolition and revitalization of the facility located on McKnight Drive in Middletown. The Port Authority and Hospital finalized a construction agency agreement and purchase-sale agreement allowing for the old Hospital facility to be demolished and then sold to a developer that will turn the site into market rate homes. The project had been completed by September 1, 2009 although not transferred to a developer at December 31, 2010. The Port Authority filed a No Further Action Letter.

The Port Authority was also the recipient of a \$750,000 Brownsfield Revolving Loan at 1.25 percent interest in relation to this project during 2010. The Hospital is the guarantor and making the annual payments on the loan. The outstanding balance at December 31, 2012 was \$302,804 as the Ohio Department of Development waived \$150,000 on the principal due and the Hospital has made three payments 00reducing the principal another \$297,196.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

7. PROJECTS (continued)

Intelligrated Acquisition Project

During 2009, the Port Authority entered into discussions with Intelligrated and the State of Ohio Department of Development to aid Intelligrated in the purchase of a facility in West Chester, Ohio. The Port Authority's involvement will involve several debt issues and lease holder of the building Intelligrated will occupy. The project closed during the first quarter of the 2010.

Local Government Innovation Fund Intergrated Development Budget (IDB)

Starting in 2012, the Port Authority was the recipient of a grant through the sourcing office to study development budgeting. The IDB Project is funded by a grant from the State of Ohio's Local Government Innovation Fund Grant (LGIF) Program, which was given to Sourcing Office, a statewide council of governments based in Cleveland, Ohio, to pilot test the IDB approach in Butler County, Ohio. The Butler County Port Authority and Butler County Government played a significant role in organizing local support for the project.

The overall purpose of the project is to study the feasibility of the integrated development budget as a future tool to strengthen financing of economic and community development projects. The IDB approach is designed to provide a fuller accounting of all public investments in economic and community development in terms of organizational operating budgets, economic development incentives, and development-related infrastructure and services, and develop new integrated strategies that increase the return on investment (ROI) for Butler County and its communities.

Future Projects

The Port Authority is working on several areas that could lead to additional projects in the next several years:

- Carrier Neutral Fiber Network – The Port Authority is working with several local communities to determine ownership and ability to use the fiber network in the Butler County area.
- Pioneer Parkway Study Group – The Port Authority is involved in the study group that is evaluating the transportation and economic development needs in the St. Clair and Madison Township areas.
- The Port Authority has been in initial discussions with a large multi-tenant developer in the Liberty Township area that could included the financing of commercial buildings, parking garages or other involvement.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

8. DEFINED BENEFIT PENSION PLAN

Public Employees Retirement System

The Port Authority contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

OPERS administers three separate pension plans as described below:

- The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan

- The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

- The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations with the employer portion at 14 percent. Contributions are authorized by State statute. The fiscal year 2012 contribution rate is 10 percent for pension contributions and are determined actuarially. The Port Authority's required contributions to OPERS for the year ended December 31, 2012, 2011, and 2010 was \$3,171, \$2,595, and \$11,695. 100 percent has been contributed for all the years presented.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

9. POSTEMPLOYMENT BENEFITS

Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2012 employer contribution rate was 14 percent of covered payroll; 4 percent was the portion that was used to fund health care. The Port Authority's actual contributions for the year ended December 31, 2012, 2011, and 2010 that were used to fund OPEB were \$902, \$858, and \$4,223. 100 percent has been contributed for all the years presented.

The Health Care Preservation Plan (HCPP) adopted by OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increasing January 1 of each year from 2006 and 2008.

Footnote: The Butler County Port Authority began implementing the Governmental Accounting Standards Board (GASB) 62 and 63 after December 15, 2011.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Butler County Port Authority
Butler County
315 High Street
Hamilton, Ohio 45011

To the Members of the Board:

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 of the Butler County Port Authority, Butler County, Ohio (the Port Authority) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which comprise the Port Authority's basic financial statements and have issued our report thereon dated June 13, 2014.

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) to determine the 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 a 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 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 13, 2014

**BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance

Ohio Revised Code, § 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Port Authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Port Authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Port Authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Port Authority did not properly certify the availability of funds for purchase commitments for seventy-three percent (73%) and seventy percent (70%) of expenditures tested, respectively, for 2013 and 2012, and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2013-001
(Continued)**

Unless the Port Authority uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Port Authority's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Port Authority. When prior certification is not possible, "then and now" certification should be used.

We recommend the Port Authority officials obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Port Authority incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

We did not receive a response from officials to this finding.

**BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Revised Code § 4582.39 – preparation of annual budget	Yes	

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Dave Yost • Auditor of State

BUTLER COUNTY PORT AUTHORITY

BUTLER 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
SEPTEMBER 02, 2014**