

Butler County Port Authority

Regular Audit

January 1, 2008 through December 31, 2008

Fiscal Year Audited Under GAGAS: 2008



**Balestra, Harr & Scherer, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Butler County Port Authority  
315 High Street  
Hamilton, Ohio 45011

We have reviewed the *Independent Auditor's Report* of the Butler County Port Authority, Butler County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2008. 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 Butler County Port Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 10, 2010

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**Butler County Port Authority**  
Butler County, Ohio

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### Independent Auditor's Report

Members of the Board  
Butler County Port Authority  
315 High Street  
Hamilton, Ohio 45011

We have audited the accompanying financial statements of the business-type activities of Butler County Port Authority, Butler County, Ohio (the Authority), as of and for the year ended December 31, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Butler County Port Authority, Butler County, Ohio, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows 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 June 30, 2010, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A stylized, handwritten signature in black ink that reads "Balestra, Harr &amp; Scherer".

Balestra, Harr & Scherer, CPAs, Inc.  
June 30, 2010

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**BUTLER COUNTY PORT AUTHORITY**  
**BUTLER COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2008**  
**(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, 2008. 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 2008 are as follows:

- 2008 marked the Port Authority entering into the first large construction contract with ATCS/Shook on the Middletown Regional Hospital deconstruction project.
- The ending cash balance was \$194,276 or 181.61 percent greater than 2007 thanks in large part of the operating contribution from the Butler County Commission, construction project deposit for the Middletown Regional Hospital project and administrative fees earned on Port Authority projects.
- Operating expenses were \$113,534 while nonoperating expenses were \$2,013,665 related to the deconstruction project that is reimbursed through project coordination agreements and a state grant.

### **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, 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 the fund presentation information are the same.

**BUTLER COUNTY PORT AUTHORITY**  
**BUTLER COUNTY, OHIO**  
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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 summary of the Port Authority's net assets for 2007 and 2008.

	2007	2008
<b>Assets:</b>		
Current and other assets	\$72,850	\$2,248,481
Long term assets	17,905,000	17,420,000
Total Assets	17,977,850	19,668,481
<b>Liabilities:</b>		
Current liabilities	488,852	2,453,888
Long term liabilities	17,490,000	17,015,000
Total Liabilities	17,978,852	19,468,888
<b>Net Assets:</b>		
Restricted	0	131,850
Unrestricted	(1,002)	67,743
Total Net Assets	(\$1,002)	\$199,593

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During 2008, the Port Authority saw project activity increase as the Port Authority started the demolition on the Middletown Regional Hospital. The largest increases in assets and liabilities relate items that were either due from the Hospital for the match portion of the project or the state for the Clean Ohio Revitalization Fund grant reimbursement. The Port Authority disburses the funds to the contract once those revenues received. The \$70,000 of the long term liability in 2007 relates to a loan payable from Butler County Economic Development to help finance the two rail projects that was partial repaid in 2008 with the remaining balance to be repaid during 2009. Table 2 shows the changes in net assets for the year between 2007 and 2008.

**Table 2 - Changes in Net Assets**

	<u>2007</u>	<u>2008</u>
<b>Operating Revenues:</b>		
Local contributions	\$0	\$50,000
Administrative Fees	67,263	127,170
Other operating revenues	67,546	100
Total Revenues	<u>134,809</u>	<u>177,270</u>
<b>Operating Expenses:</b>		
Salaries	0	44,000
Fringe Benefits	0	19,004
Legal fees	13,570	6,461
Accounting service	7,312	16,863
Administration	2,701	15,255
Insurance	3,117	3,241
Professional services	65,586	0
Intergovernmental	19,888	8,710
Total Expenses	<u>112,174</u>	<u>113,534</u>
Operating Income	<u>22,635</u>	<u>63,736</u>
<b>Nonoperating Revenues (Expenses):</b>		
Interest	111	329
Clean Ohio Revitalization Fund	0	527,018
Capital Grants	0	1,666,782
Capital Distributions	0	(2,013,665)
Legal Fees related to Projects	(19,665)	(43,605)
ODOT LPA	88,588	0
Rail Study Expense	(33,722)	0
Electric Lock Installation	(50,000)	0
Total Nonoperating Revenue (Expense)	<u>(14,688)</u>	<u>136,859</u>
Increase in Net Assets	7,947	200,595
Net Assets, Beginning of Year	(8,949)	(1,002)
Net Assets, End of Year	<u>(\$1,002)</u>	<u>\$199,593</u>

**BUTLER COUNTY PORT AUTHORITY**  
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The Port Authority saw increased activity during 2008 compared with 2007 as deconstruction and other professional services expenses for the Middletown Regional Hospital project was underway during 2008. The Port Authority realized additional project administration fees for the 2008 increasing 89% over 2007. The expenses increased significantly also in relation the deconstruction project. The Port Authority will continue to see increased activity in 2009 from this project.

**Capital Assets**

The Port Authority had no capital assets at December 31, 2008.

**Debt**

The Port Authority had no debt at December 31, 2008.

**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 ASSETS  
 DECEMBER 31, 2008**

**ASSETS:**

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 101,622
Restricted Cash and Cash Equivalents	92,654
Accounts Receivables	1,527,187
Intergovernmental Receivables	527,018
TOTAL CURRENT ASSETS	<u>2,248,481</u>

LONG TERM ASSETS:

Receivable from YMCA	<u>17,420,000</u>
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TOTAL ASSETS	<u><u>19,668,481</u></u>
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**LIABILITIES:**

CURRENT LIABILITIES:

Accounts Payable	6,603
Contracts Payable	1,840,056
Accrued Wages	4,000
Loans Payable	24,620
Retainage Payable	173,609
Current Portion of Revenue Bonds Payable	<u>405,000</u>

TOTAL CURRENT LIABILITIES:	<u>2,453,888</u>
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LONG TERM LIABILITIES:

Revenue Bonds Payable	<u>17,015,000</u>
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TOTAL LONG TERM LIABILITIES:	<u>17,015,000</u>
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TOTAL LIABILITIES	<u>19,468,888</u>
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**NET ASSETS:**

Restricted:	
Capital Projects	131,850
Unrestricted Net Assets	<u>67,743</u>

TOTAL NET ASSETS	<u><u>\$ 199,593</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 ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2008**

**OPERATING REVENUES:**

Administrative Fees	\$ 177,170
Other Revenues	<u>100</u>
Total Operating Revenues	<u>177,270</u>

**OPERATING EXPENSES:**

Operating Expenses	
Salaries	44,000
Fringe Benefits	19,004
Insurance	3,241
Legal Fees - Operating	6,461
Accounting	16,863
Other General Administration	15,255
Intergovernmental	<u>8,710</u>
Total Operating Expenses	<u>113,534</u>
Operating Income	<u>63,736</u>

**NONOPERATING REVENUES (EXPENSES):**

Interest	329
Clean Ohio Revitalization Fund Grant	527,018
Legal Fees related to projects	(43,605)
Capital Grants	1,666,782
Capital Distributions	<u>(2,013,665)</u>
Total Nonoperating Revenues (Expenses)	<u>136,859</u>

**CHANGE IN NET ASSETS**

	200,595
Net Assets Beginning of Year	<u>(1,002)</u>
Net Assets End of Year	<u>\$ 199,593</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, 2008**

**Cash flows from operating activities:**

Cash received from customers	\$ 177,170
Cash payments to employees for services	(56,909)
Cash payments to supplier for goods and services	(51,218)
Cash received from other sources	100
Net cash provided by operating activities	<u>69,143</u>

**Cash flows from capital related activities:**

Capital grants received for construction project	139,595
Other professional services for construction project	(42,261)
Net cash provided by capital related activities	<u>97,334</u>

**Cash flows from noncapital financing activities:**

Local Contributions for Rail Study	3,863
Cash payments on intergovernmental loans	(45,380)
Net cash used for noncapital financing activities	<u>(41,517)</u>

**Cash flows from investing activities:**

Interest received	<u>329</u>
Net cash provided by investing activities	<u>329</u>

Net Increase in Cash and Cash Equivalents 125,289

Cash and cash equivalents at beginning of year	<u>68,987</u>
Cash and cash equivalents at end of year	<u>\$ 194,276</u>

**Reconciliation of operating income to net cash provided by operating activities**

Operating Income	63,736
Adjustments to reconcile operating income to net cash used for operating activities	
Increase in Accounts Payable	1,407
Increase in Accrued Wages	4,000
Net cash provided by operating activities	<u>\$ 69,143</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, 2008**

**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. 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. The Port Authority also has the option of following subsequent FASB guidance for its proprietary activities, subject to this same limitation. The Port Authority has elected not to apply those FASB Statements and Interpretations issued after November 30, 1989 to its proprietary activities.

**BUTLER COUNTY PORT AUTHORITY**  
**BUTLER COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**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 assets) 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 4582.13 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 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 assets, the funds in the cash management pool are considered to be cash equivalents.

**BUTLER COUNTY PORT AUTHORITY**  
**BUTLER COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

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

**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 the grant agreement with the Ohio Department of Development in connection with the Clean Ohio Revitalization Grant on the Middletown Regional Hospital deconstruction at December 31, 2008.

**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, 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.

**H. Accrued Liabilities**

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

The Port Authority recognized a loan payable from Butler County Economic Development to aid in the payment for services in connection with CSX Electric Lock Switch. The loan payable will be repaid with user charges in the next year through a reimbursement contract with CSX and operating dollars available to cover the remaining amount.

**BUTLER COUNTY PORT AUTHORITY**  
**BUTLER COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

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

**I. 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 restriction relates to a construction deposit by The Atrium Medical Center for the deconstruction project. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are 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.

**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 \$194,276 and the bank balance was \$211,261. The entire 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, 2008, none of the deposits were exposed to custodial credit risk.

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**BUTLER COUNTY, OHIO**  
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**3. DEPOSITS AND INVESTMENTS (continued)**

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, 2008, the Port Authority had no investments.

**4. CAPITAL ASSETS**

As of December 31, 2008, the Port Authority had no capital assets.

**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. LOANS PAYABLE**

During 2006, the Port Authority received two loans from Butler County Economic Development (BCED) in the amounts of \$20,000 and \$50,000, respectively. Those loans will be repaid to BCED through 100% of any funds to which the Port Authority is entitled pursuant to the terms of the agreement with CSX, Inc. with respect to the CSX electric lock switch replacement project described in the Project Note 7. The Port Authority is to repay loans promptly upon receipt of the refunds. The loan obligation will continue until the earlier of five years from the date of the CSX agreement or the date on which the County has received \$70,000 from the Port Authority. During 2008, the Port Authority received \$19,750 of reimbursements from CSX, Inc. and with the beginning balance, the Port paid \$45,380 on the loan payable. The payment left \$24,620 remaining which will be repaid during 2009.

**BUTLER COUNTY PORT AUTHORITY**  
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**DECEMBER 31, 2008**

**6. LOANS PAYABLE (continued)**

The Port Authority has pledged a portion of the future refund revenues to repay the \$70,000 in loan payable in 2006 that paid from the electric lock replacement. 100% of refund revenues are pledged until the loan is paid in full or 2011 whichever comes first. The amount of refund revenue for 2009 was \$20,350 as of December 31, 2008.

**7. 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, 2008:

<b>Revenue Bond</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Principal Balance as of 12/31/08</b>
Greater Miami Valley YMCA Project	09/01/2037	Varies	\$17,420,000

**8. 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 should be received by the Port during 2010.

**BUTLER COUNTY PORT AUTHORITY**  
**BUTLER COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**8. PROJECTS (continued)**

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. This project had several of the buildings taken down by December 31, 2008 and expected to be completely deconstructed by July 1, 2009.

**9. DEFINED BENEFIT PENSION PLAN**

**Public Employees Retirement System**

The District 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 that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-8025 or 1-800-222- OPERS (7377).

In 2003, OPERS expanded the retirement options for covered employees. 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.

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**9. DEFINED BENEFIT PENSION PLAN (continued)**

- 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 the Traditional 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 contribution rates are determined actuarially. The District's required contributions to OPERS for the year ended December 31, 2008 was \$5,600. 85 percent has been contributed for 2008 with the remainder being reported as a liability within the general fund.

**10. 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 2008 employer contribution rate was 14 percent of covered payroll; 7 percent was the portion that was used to fund health care for 2008.

Benefits are advance-funded using an entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed December 31, 2007 include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

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**10. POSTEMPLOYMENT BENEFITS (continued)**

As of December 31, 2007 (latest information available), the actuarial value net assets available for future OPEB payments were \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17 billion, respectively. At December 31, 2008, the total number of benefit recipients eligible for OPEB through PERS was 363,503. The District's actual contributions for 2008 that were used to fund OPEB were \$2,800.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Members of the Board  
Butler County Port Authority  
315 High Street  
Hamilton, Ohio 45011

We have audited the financial statements of the business-type activities of Butler County Port Authority, Butler County, (the Authority) as of and for the year ended December 31, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 30, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 opining on the effectiveness of the Government's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We also noted a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated June 30, 2010.

Members of the Board

Butler County Port Authority

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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### **Compliance and Other Matters**

As part of reasonably assuring whether the 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated June 30, 2010.

We intend this report solely for the information and use of management and others within the Government. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
June 30, 2010



**Mary Taylor, CPA**  
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  
NOVEMBER 23, 2010**