



OHIO AUDITOR OF STATE
KEITH FABER



**MIDDLETOWN PORT AUTHORITY
BUTLER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Basic Financial Statements For the Year Ended December 31, 2022:	
Management's Discussion and Analysis	5
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows.....	11
Notes to the Basic Financial Statements.....	12
Basic Financial Statements For the Year Ended December 31, 2021:	
Management's Discussion and Analysis	19
Statement of Net Position	23
Statement of Revenues, Expenses and Changes in Net Position	24
Statement of Cash Flows.....	25
Notes to the Basic Financial Statements.....	26
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	35
Schedule of Findings.....	37

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

INDEPENDENT AUDITOR'S REPORT

Middletown Port Authority
Butler County
One Donham Plaza
Middletown, OH 45044

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Middletown Port Authority, Butler County, Ohio (Authority), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Middletown Port Authority, Butler County, Ohio as of December 31, 2022 and 2021, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 8 to the 2022 financial statements, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
October 22, 2024

This page intentionally left blank.

Middletown Port Authority
Butler County, Ohio
Management's Discussion and Analysis
December 31, 2022
(Unaudited)

The discussion and analysis of the Middletown Port Authority (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2022. 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.

Financial Highlights

Key financial highlights for 2022 are as follows:

- The Port Authority generated \$268,700 in charges for services during the year.
- The Port Authority's cash balance decreased \$467,508 during 2022 to \$1,613,185 at December 31, 2022.
- The Port Authority's net position decreased \$461,632 during 2022.

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.

Implementation of New Accounting Principle

For the year ended December 31, 2022, the Port Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 defines conduit debt obligations for accounting and financial reporting purposes and establishes related standards for recognition, measurement, and disclosure for issuers. The implementation of GASB Statement No. 91 impacted some previously presented 2021 information in this *Management's Discussion and Analysis* and is discussed further in Note 8.

Middletown Port Authority
Butler County, Ohio
Management's Discussion and Analysis
December 31, 2022
(Unaudited)

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.

Table 1 provides a summary of the Port Authority's net position for 2022 and 2021.

Table 1 - Net Position

	2022	(Restated) 2021
Assets		
Current and Other Assets	\$ 1,613,185	\$ 2,088,786
Long-Term Assets	<u>2,214,372</u>	<u>2,211,746</u>
Total Assets	<u>3,827,557</u>	<u>4,300,532</u>
Liabilities		
Current Liabilities	8,280	19,623
Long-Term Liabilities	<u>2,160,000</u>	<u>2,160,000</u>
Total Liabilities	<u>2,168,280</u>	<u>2,179,623</u>
Net Position		
Restricted	905,345	1,600,715
Unrestricted	<u>753,932</u>	<u>520,194</u>
Total Net Position	<u>\$ 1,659,277</u>	<u>\$ 2,120,909</u>

The Port Authority's current assets decreased from 2021 to 2022 as a result of the Port Authority spending down cash balances to make infrastructure improvements related to the MADE project – improvements that will ultimately be owned and maintained by other entities. Current liabilities remained flat from December 31, 2021 to December 31, 2022.

Long-term assets and long-term liabilities remained flat from 2021 to 2022 and are related to scheduled debt service activity that is funded by an intergovernmental agreement with the City of Middletown. See Note 5 to the financial statements for more information on long-term obligations, and the offsetting intergovernmental receivable from the City of Middletown.

Middletown Port Authority
Butler County, Ohio
Management's Discussion and Analysis
December 31, 2022
(Unaudited)

Table 2 - Changes in Net Position

	<u>2022</u>	<u>(Restated)</u> <u>2021</u>
Operating Revenues		
Charges for Services	\$ 268,700	\$ 400,000
Project Administrative Fees	<u>-</u>	<u>30,000</u>
Total Operating Revenues	<u>268,700</u>	<u>430,000</u>
Operating Expenses		
Purchased Services	87,938	41,988
Contractual Services	<u>599,699</u>	<u>792,012</u>
Total Operating Expenses	<u>687,637</u>	<u>834,000</u>
Operating (Loss)	<u>(418,937)</u>	<u>(404,000)</u>
Nonoperating Revenues (Expenses)		
Interest Revenue	3,689	4,904
Intergovernmental Revenue	47,250	2,705,000
Interest and Fiscal Charges	<u>(93,634)</u>	<u>(184,995)</u>
Total Nonoperating Revenue (Expense)	<u>(42,695)</u>	<u>2,524,909</u>
Change in Net Position	(461,632)	2,120,909
Net Position Beginning of Year	<u>2,120,909</u>	<u>-</u>
Net Position, End of Year	<u>\$ 1,659,277</u>	<u>\$ 2,120,909</u>

During 2022, the Port Authority continued to realize meaningful charges for services, although at a slower pace than in 2021, as the Port Authority continued to be involved with additional, potentially-advancing, projects within the City of Middletown. Operating expenses were down in 2022, compared to 2021, as the Port Authority continued working on the MADE project, but incurred project-related expenses at a slower pace in 2022 than in 2021.

Middletown Port Authority
Butler County, Ohio
Management's Discussion and Analysis
December 31, 2022
(Unaudited)

Capital Assets

The Port Authority reported no capital assets at December 31, 2022.

Debt

The Port Authority reported \$2,160,000 of revenue bonds payable at December 31, 2022. See Note 5 for more information on long-term obligations.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Middletown 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: Middletown Port Authority, Attn: City of Middletown Economic Development, One Donham Plaza, Middletown, Ohio 45042.

Middletown Port Authority
Butler County, Ohio
Statement of Net Position
December 31, 2022

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 707,840
Restricted Cash and Cash Equivalents with Trustee	<u>905,345</u>
Total Current Assets	<u>1,613,185</u>
Long-Term Assets	
Receivables	
Loan	54,372
Intergovernmental	<u>2,160,000</u>
Total Long-Term Assets	<u>2,214,372</u>
Total Assets	<u>3,827,557</u>
Liabilities	
Current Liabilities	
Accrued Interest Payable	<u>8,280</u>
Long-Term Liabilities	
Revenue Bonds Payable	<u>2,160,000</u>
Total Liabilities	<u>2,168,280</u>
Net Position	
Restricted:	
MADE Industrial Drive Cooperative Agreement	905,345
Unrestricted	<u>753,932</u>
Total Net Position	<u><u>\$ 1,659,277</u></u>

Middletown Port Authority
Butler County, Ohio
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2022

Operating Revenues	
Charges for Services	\$ 268,700
Total Operating Revenues	<u>268,700</u>
Operating Expenses	
Purchased Services	87,938
Contractual Services	599,699
Total Operating Expenses	<u>687,637</u>
Operating Income (Loss)	<u>(418,937)</u>
Nonoperating Revenues (Expenses)	
Interest Revenue	3,689
Intergovernmental Revenue	47,250
Interest Expense	(93,634)
Total Nonoperating Revenues (Expenses)	<u>(42,695)</u>
Change in Net Position	(461,632)
Net Position Beginning of Year, Restated	<u>2,120,909</u>
Net Position End of Year	<u><u>\$ 1,659,277</u></u>

Middletown Port Authority
Butler County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 268,700
Cash Payments to Suppliers for Goods and Services	(687,787)
Net Cash Provided (Used) by Operating Activities	<u>(419,087)</u>
Cash Flows from Non-Capital Financing Activities	
Cash Received from Other Governments - City of Middletown	47,250
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>47,250</u>
Cash Flows from Capital and Related Financing Activities	
Interest Paid	(99,360)
Net Cash Provided (Used) by Cash Flows from Capital and Related Financing Activities	<u>(99,360)</u>
Cash Flows from Investing Activities	
Interest Received	3,689
Net Cash Provided (Used) by Investing Activities	<u>3,689</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(467,508)
Cash and Cash Equivalents at Beginning of Year	2,080,693
Cash and Cash Equivalents at End of Year	<u>\$ 1,613,185</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (418,937)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Decrease (Increase) in Loan Receivable	5,467
(Decrease) Increase in Accounts Payable	<u>(5,617)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (419,087)</u>

1. DESCRIPTION OF THE REPORTING ENTITY

The Middletown 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 January 2021 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 Port Authority is reported as a component unit of the City of Middletown, Butler County, Ohio, as defined by the provisions of GASB statement numbers 14 and 39. As such, its activities are reported within the City’s Annual Comprehensive Financial Report.

The Port Authority’s management believes these financial statements represent all activities for which the Port Authority is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements of Middletown 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.

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 statement presents 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. 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.

D. Loan Receivable

The Port Authority has a loan receivable from Torchlight Pass LLC that matures in 2025. In 2022, the Port Authority collected \$5,467 on this loan receivable bringing the December 31, 2022, balance on the loan to \$54,372.

E. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Port Authority's primary mission. For the Port Authority, operating revenues include intergovernmental contributions 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.

Middletown Port Authority
Butler County, Ohio
Notes to the Basic Financial Statements
December 31, 2022

F. Accrued Liabilities

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

G. Net Position

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

H. 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

In accordance with state statute, active deposits are designated as 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.

Middletown Port Authority
Butler County, Ohio
Notes to the Basic Financial Statements
December 31, 2022

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. Although all statutory requirements for the deposit of money have been followed, noncompliance with Federal requirements could potentially subject the Port Authority to a successful claim by the Federal Deposit Insurance Corporation.

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 the Port Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year-end, the carrying amount of the Port Authority's deposits was \$1,613,185 and the bank balance was \$1,613,185. Federal depository insurance covered \$500,000 of the bank balance.

4. RISK MANAGEMENT

The Port Authority is covered by general liability and public official liability insurance. Settled claims have not exceeded insurance coverage in the past three years.

Middletown Port Authority
Butler County, Ohio
Notes to the Basic Financial Statements
December 31, 2022

5. LONG-TERM OBLIGATIONS

Revenue Bonds Payable

Changes in the Port Authority's long-term liabilities for the year ended December 31, 2022, were as follows:

	Beginning Balance	Deletions	Ending Balance	Due Within One Year
Revenue Bonds Payable 4.60%	\$ 2,160,000	\$ -	\$ 2,160,000	\$ -

The revenue bonds payable were issued in 2021 for the purposes of acquiring and constructing certain public infrastructure improvements, in relation to the MADE project. The Port Authority has an intergovernmental agreement with the City of Middletown that provides for the City to make the semi-annual payments to the debt service trustee in the exact amounts of the debt service that is due, if there are not sufficient funds available to cover the debt service from other sources, which the Port Authority believes is likely based on the facts and circumstance surrounding this project. While the Port Authority was the issuer on these bonds, the City is the third-party obligor on the bonds, and the City is also part of the same reporting unit as the Port Authority since the Port Authority is a component unit of the City of Middletown. Accordingly, at December 31, 2022, the Port Authority recorded the above debt as an obligation (as opposed to conduit debt) and recorded an offsetting intergovernmental receivable from the City of Middletown for the amount of the outstanding revenue bonds payable.

Principal and interest requirements to retire the bonds payable, as of December 31, 2022, are as follows:

Revenue Bonds Payable			
Year	Principal	Interest	Total
2023	\$ -	\$ 99,360	\$ 99,360
2024	-	99,360	99,360
2025	60,000	98,670	158,670
2026	60,000	95,910	155,910
2027	65,000	93,150	158,150
2028-2032	370,000	417,335	787,335
2033-2037	465,000	322,920	787,920
2038-2042	585,000	204,470	789,470
2043-2044	555,000	41,745	596,745
Total	\$ 2,160,000	\$ 1,472,920	\$ 3,632,920

Middletown Port Authority
Butler County, Ohio
Notes to the Basic Financial Statements
December 31, 2022

6. CONTRIBUTIONS FROM THE CITY OF MIDDLETOWN

During 2022, the Port Authority received \$47,250 in nonoperating contributions from the City of Middletown for operating purposes and project development.

7. SUBSEQUENT EVENTS

The Port Authority evaluated the effects subsequent events would have on the financial statements through the date of the auditor’s report, which is the date that financial statements were available for issuance.

8. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the year ended December 31, 2022, the Port Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 has an objective to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The implementation of GASB Statement No. 87 did not have an effect on the Port Authority’s 2022 financial statements.

For the year ended December 31, 2022, the Port Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 defines conduit debt obligations for accounting and financial reporting purposes and establishes related standards for recognition, measurement, and disclosure for issuers. The implementation of GASB Statement No. 91 had the following effects on the Port Authority’s 2022 financial statements:

- The Port Authority is no longer reporting an intergovernmental receivable from the City of Middletown for the aggregate amount of interest payments to be collected over the life of the revenue bonds, nor is it reporting an offsetting deferred inflows of resources for such amounts.
- A restatement of opening net position in the amount of \$2,160,000 has been recorded in connection with the adoption of GASB 91 as follows:

	Unrestricted Net Position	Restricted Net Position	Total Net Position
As Previously Reported, as of December 31, 2021	\$ (39,091)	\$ -	\$ (39,091)
Adjustment to Adopt GASB 91	559,285	1,600,715	2,160,000
Restated, as of December 31, 2021	\$ 520,194	\$ 1,600,715	\$ 2,120,909

This page intentionally left blank.

*Middletown Port Authority
Butler County, Ohio*

*Management's Discussion and Analysis
December 31, 2021
(Unaudited)*

The discussion and analysis of the Middletown Port Authority (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2021. 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 2021 are as follows:

- The Port Authority was created in January 2021.
- The Port Authority received \$545,000 from the City of Middletown for projects.
- The Port Authority repaid all of the Middletown Moving Forward's outstanding loans payable balances during 2021.
- The Port Authority year-end unrestricted cash balance was \$479,978.
- The Port Authority issued a \$2.16 million development revenue bond during the year.

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.

*Middletown Port Authority
Butler County, Ohio*

*Management's Discussion and Analysis
December 31, 2021
(Unaudited)*

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 and deferred inflows of resources, both financial and capital, and short-term and long-term debt, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

Net 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 on assets by grantors, contributors, laws, regulations, etc.

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

Table 1 provides a summary of the Port Authority's net position for 2021.

Table 1 – Net Position

	<u>2021</u>
Assets:	
Current and other assets	\$2,193,942
Non current assets	<u>3,684,666</u>
Total Assets	<u>5,878,608</u>
Liabilities:	
Current Liabilities	19,623
Long-Term Liabilities	<u>2,160,000</u>
Total Liabilities	<u>2,179,623</u>
Deferred Inflows of Resources	<u>3,738,076</u>
Net Position:	
Unrestricted	<u>(39,091)</u>
Total Net Position	<u><u>(\$39,091)</u></u>

**Middletown Port Authority
Butler County, Ohio**

**Management's Discussion and Analysis
December 31, 2021
(Unaudited)**

The Port Authority started in January 2021 when the City of Middletown created the organization and closed to the previously created community improvement corporation, known as the Middletown Moving Forward. The Port Authority received the remaining cash balance, receivables and retired the outstanding obligations of that organization during 2021. The Port Authority also issued development revenue bonds during November 2021 which had unspent bond proceeds of \$1.6 million reported as restricted cash and cash equivalents at year end. As part of the long-term liabilities, the Port Authority reports a \$400,000 liability for the equity contribution to the project financing.

Table 2 provides a summary of the Port Authority's changes in net position 2021.

Table 2 - Changes in Net Position

	2021
Operating Revenues:	
Charges for Services	\$400,000
Project Administrative Fees	30,000
Total Operating Revenues	430,000
Operating Expenses:	
Purchases Services	41,988
Contractual Services	792,012
Total Expenses	834,000
Operating Loss	(404,000)
Non-Operating Revenues (Expenses):	
Intergovernmental Revenue	545,000
Net Impact of MMF Closing	3,312
Project Funding Principal/Interest	1,569
Restricted Interest Earning	23
Interest and Fiscal Charges	(184,995)
Total Non-Operating Revenues (Expenses)	364,909
Change in Net Position	(39,091)
Net Position, Beginning of Year	0
Net Position, End of Year	(\$39,091)

As stated earlier, the Port Authority was created in January 2021. The City of Middletown provided operating and project development funds during the year. The Port Authority did receive a project commitment fee during the year as well from the development revenue bonds that were issued in November 2021. The majority of the operating expenses related to legal costs in getting the Port Authority up and running. The nonoperating expenses are related to construction draws on the MADE project and bond issuance costs.

*Middletown Port Authority
Butler County, Ohio*

*Management's Discussion and Analysis
December 31, 2021
(Unaudited)*

Capital Assets

The Port Authority had no capital assets at December 31, 2021.

Debt

In prior years, Middletown Moving Forward entered into various loan agreements with investors as part of the Goetz Tower development project that were outstanding at the time of closure. The Port Authority repaid those outstanding balances from cash reserves transferred from MMF as part of the closure process. During fiscal year 2021, the Port Authority issued \$2.16 million in development revenue bonds. For more information, refer to Notes 7 and 9 of the financial statements.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the 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: Middletown Port Authority, Attn: City of Middletown Economic Development, One Donham Plaza, Middletown, Ohio 45042.

**Middletown Port Authority
Butler County, Ohio
Statement of Net Position
December 31, 2021**

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 479,978
Restricted Cash and Cash Equivalents with Trustee	1,600,715
Loan Receivable - Due in one year	8,093
Intergovernmental Receivable - Due in one year	105,156

TOTAL CURRENT ASSETS	2,193,942
----------------------	-----------

NON CURRENT ASSETS:

Loan Receivable - Torchlight	51,746
Intergovernmental Receivable	3,632,920

NON CURRENT ASSETS:	3,684,666
---------------------	-----------

TOTAL ASSETS	5,878,608
--------------	-----------

LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	5,617
Accrued Interest Payable	14,006

TOTAL CURRENT LIABILITIES:	19,623
----------------------------	--------

LONG TERM LIABILITIES:

Development Revenue Bonds Payable	2,160,000
-----------------------------------	-----------

TOTAL LIABILITIES	2,179,623
-------------------	-----------

DEFERRED INFLOWS OF RESOURCES	3,738,076
--------------------------------------	------------------

NET POSITION:

Unrestricted Net Position	(39,091)
TOTAL NET POSITION	\$ (39,091)

See accompanying notes to the financial statements

**Middletown Port Authority
Butler County, Ohio
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2021**

OPERATING REVENUES:

Operating Contributions	\$ 400,000
Administrative Fees	<u>30,000</u>
Total Operating Revenues	<u>430,000</u>

OPERATING EXPENSES:

Purchased Services	41,988
Contractual Services	<u>792,012</u>
Total Operating Expenses	<u>834,000</u>
Operating Loss	<u>(404,000)</u>

NONOPERATING REVENUES (EXPENSES):

Intergovernmental Revenue	545,000
Net Impact of Middletown Moving Forward Closing	3,312
Torchlight Funding Repayment and Interest	1,569
Restricted Interest Earnings	23
Costs of Issuance	(160,500)
Interest and Fiscal Charges	<u>(24,495)</u>
Total Nonoperating Revenues (Expenses)	<u>364,909</u>

CHANGE IN NET POSITION (39,091)

Net Position Beginning of Year	-
Net Position End of Year	<u><u>\$ (39,091)</u></u>

See accompanying notes to the financial statements

Middletown Port Authority
Butler County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities:

Cash received from local foundations for operations	\$ 400,000
Cash received from project administrative fees	30,000
Cash payments for operating purposes	<u>(828,383)</u>
Net cash provided by operating activities	<u>(398,383)</u>

Cash Flows from Capital and Related Financing Activities:

Proceeds from Face Value of Bonds	2,160,000
Intergovernmental	545,000
Interest received on assumed project loan balances	1,569
Payments received on assumed project loan balances	3,898
Intergovernmental contributions for debt service retirement	747,548
Issuance costs from Bond Payable	(161,500)
Principal paid on assumed loans payable	(740,000)
Interest and fiscal charges paid on all debt	<u>(77,462)</u>
Net cash provided by capital and related financing activities	<u>2,479,053</u>

Cash flows from investing activities:

Net Interest received	<u>23</u>
-----------------------	-----------

Net Increase in Cash and Cash Equivalents	2,080,693
---	-----------

Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	<u><u>\$ 2,080,693</u></u>

Reconciliation of operating income to net cash provided by operating activities

Operating Income	(404,000)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in Accounts Payable	<u>5,617</u>
Net cash provided by operating activities	<u><u>\$ (398,383)</u></u>

See accompanying notes to the financial statements

**Middletown Port Authority
Butler County Ohio**

**Notes to the Basic Financial Statements
December 31, 2021**

NOTE 1 - Nature of Organization and Reporting Entity

The Middletown 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 January 2021 pursuant to section 4582.22 of the Ohio Revised Code by resolution of City of Middletown. The seven voting member Board of Directors directs the Port Authority.

The Port Authority provides services that are enumerated in Sections 4582.21 to 4582.29 of the Ohio Revised Code. The services include but are not limited to the power to purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus: an Amendment of GASB Statements No. 14 and 34*, in that the financial statements include all divisions and operations for which the Port Authority is financially accountable. Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization's governing board; and (1) the Port Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Port Authority is legally entitled to or can otherwise assume the responsibility to finance the deficits of, or provide financial support to, the organizations; or the Port Authority is obligated for the debt of the organization. Component units may also include organizations for which the Port Authority authorizes the issuance of debt or the levying of taxes, or determines the budget. On this basis, no governmental organization other than the Port Authority itself is included in the financial reporting entity.

The Port Authority was created and subsequently the City of Middletown closed the prior community improvement corporation for the City known as the Middletown Moving Forward, Inc. ("MMF"). The MMF was a non-profit organization incorporated in Ohio on November 15, 2005 by resolution 2005-122 from the City of Middletown, Ohio. The MMF was incorporated to serve the City of Middletown by aiding in industrial, commercial, distribution and research development in the City. The MMF created a Plan of Industrial, Commercial, Distribution and Research Development for the City (the "Plan"). The MMF at the time of closure had a loan receivable with Torchlight Pass LLC, which was transferred to the Port Authority. See note 7 for more information on the loan receivable. The MMF also had four outstanding loans that were transferred to the Port Authority (see Note 9) and related cash balances transferred to repay the loans. Note 11 provides a summary of the complete assets and liabilities transferred to the Port Authority from the MMF during 2021.

**Middletown Port Authority
Butler County Ohio**

**Notes to the Basic Financial Statements
December 31, 2021**

NOTE 2 - Summary of Significant Accounting Policies

The financial statements consist of a single-purpose business-type activity which is reported on the accrual basis of accounting using the economic resources measurement focus.

The significant accounting policies followed in the preparation of these financial statements conform to general accepted accounting principals for local government units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources as applied to governmental non-profit organizations. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net position and revenues and expenses are classified based on the existence or absence of imposed restrictions. Accordingly, net position of the Port Authority is classified as unrestricted net position because it is not subject to imposed stipulations.

The Port Authority's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities and deferred inflows of resources associated with the operation are included on the statement of net position. The statement of revenues, expenses and change in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net total 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 Port Authority uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

The Port Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses typically result from providing services and producing and delivering goods in connection with the Port Authority's principal ongoing operation. The additional future operating revenue of the Port Authority is contributions from different organizations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Budgetary Data

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

**Middletown Port Authority
Butler County Ohio**

**Notes to the Basic Financial Statements
December 31, 2021**

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Cash Equivalents

During the calendar year 2021, the Port Authority's cash in a non-interest bearing account is considered to be cash equivalents. Interest revenue earned during 2021 was \$1,569 from project activity.

Significant Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Loans Receivable

The Port Authority has promissory notes/loans receivable with both the Torchlight Pass LLC that was funded through loan proceeds the MMF received from various sources. The Port Authority paid off the remaining loan balances during 2021. All receivables are solely from Port Authority operating activities.

Intergovernmental Receivable

Receivables on the Port Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable systematic method of determining their existence, completeness, valuation and collectability. The Port Authority did have an intergovernmental receivable as of December 31, 2021, from the City of Middletown in connection with the development revenue bonds payable from assigned special assessments levied on the property owner and passed onto the Port Authority as repayment on the bonds.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Port Authority, deferred inflows of resources include City of Middletown special assessment revenue earmarked to pay for debt service payments by the Port Authority. This amount is deferred and recognized as an inflow of resources in the period the amounts become available.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the financial statements.

**Middletown Port Authority
Butler County Ohio**

**Notes to the Basic Financial Statements
December 31, 2021**

NOTE 3 – Cash and Investments

At December 31, 2021, the carrying amount of the Port Authority’s deposits was \$479,978. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2021, \$229,978 of Port Authority’s cash balance was not subject to FDIC coverage. At December 31, 2021, the Port Authority reported \$1,600,715 as restricted and cash and cash equivalents for the balance held in the money market fund for the MADE project.

NOTE 4 – Contributions

The Port Authority received \$545,000 in contributions from the City of Middletown for operating purposes and project development. The Port Authority also received an equity contribution from the MADE for the construction project to help increase the debt service reserve which is reported as Due to Individuals on the Statement of Net Position.

NOTE 5 – Litigation

The Port Authority is involved in no material litigation as either plaintiff or defendant.

NOTE 6 – Risk Management

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port Authority contracted with the Hartford to provide Directors, Officers and Entity Liability insurance with a \$1,000,000 limit. The Port Authority has coverage of \$1,000,000 for Employment Practice Liability with a \$5,000 deductible.

NOTE 7 – Loans Receivable

The Port Authority assumed the loan receivable from the MMF. The MMF in prior years provided construction project funding to the Torchlight Pass project including renovations to a commercial project.

	Balance 12/31/20	Increase	Decrease	Balance 12/31/21	Due within one year
Loans Receivable					
Torchlight Pass	\$67,539	\$0	\$7,700	\$59,839	\$8,093

The management of Torchlight pass requested a loan modification due to the COVID-19 pandemic. The MMF approved a six month payment deferral for 2020 but the interest would accrue to the loan receivable balance.

Fiscal Year	Principal	Interest	Total
2022	\$8,093	\$2,842	\$10,935
2023	8,505	2,429	10,934
2024	8,938	1,996	10,934
2025	34,303	429	34,732
Total	\$59,839	\$7,696	\$67,535

**Middletown Port Authority
Butler County Ohio**

**Notes to the Basic Financial Statements
December 31, 2021**

NOTE 8 – Intergovernmental Receivable

For the year ended December 31, 2021, changes in Port Authority's intergovernmental receivables were as follows:

	Balance 1/1/21	Additions	Payments	Balance 12/31/21
City of Middletown	\$0	\$3,738,076	\$0	\$3,738,076

The repayment of the receivable will follow the same schedule as the repayment of the development revenue bonds.

NOTE 9 – Long Term Debt

Changes in long-term obligations during 2021 were as follows:

	Balance 12/31/20	Increase	Decrease	Balance 12/31/21	Due within one year
Goetz Project					
Duke Energy	\$200,000	\$0	\$200,000	\$0	\$0
Middletown Community Foundation	50,000	0	50,000	0	0
Middletown Area Development Enterprise	100,000	0	100,000	0	0
American Savings Bank	50,000	0	50,000	0	0
First Financial Bank	50,000	0	50,000	0	0
Subtotal Goetz Project	450,000	0	450,000	0	0
Torchlight Project					
Duke Energy	40,000	0	40,000	0	0
First Financial Bank	40,000	0	40,000	0	0
Subtotal Torchlight Project	80,000	0	80,000	0	0
Hook Drive Project					
Duke Energy	260,000	0	260,000	0	0
2021 Development Revenue Bonds	0	2,160,000	0	2,160,000	0
Total	\$790,000	\$2,160,000	\$790,000	\$2,160,000	\$0

Goetz Tower Project Debt Obligations

On December 17, 2015, the MMF entered into a promissory note with Duke Energy for loan funding on the Goetz Tower Project. The agreement required the MMF to submit advance requests on the available funding of \$500,000. On December 9, 2016, the MMF requested \$200,000 which was received by year end. The loan obligation was not due until final maturity of December 17, 2030. The outstanding loan carried a 3.5% annual interest. The Port Authority repaid the loan and outstanding interest on August 26, 2021.

**Middletown Port Authority
Butler County Ohio**

**Notes to the Basic Financial Statements
December 31, 2021**

NOTE 9 – Long Term Debt (Continued)

The MMF received two contributions from the Middletown Community Foundation during 2017 at a 2% interest rate. One loan for \$150,000 required principal payments of \$50,000 in 2019 and 2020. The second loan required the \$50,000 balance paid in January 2021. Interest is paid annually. During January 2021, the MMF did pay the remaining \$50,000 loan balance. These loans were retired by the MMF.

The MMF received \$100,000 from the Middletown Area Development Enterprise. The loan carried an interest rate of 2% with \$50,000 principal payments in January 2025 and January 2026. Interest was paid annually. The Port Authority repaid the loan and outstanding interest on September 23, 2021.

The MMF received \$50,000 from American Savings Bank (now Central Valley Bank). The loan carried an interest rate of 3% with a \$50,000 principal payment in January 2024. The Port Authority repaid the loan and outstanding interest on August 26, 2021.

The MMF received \$50,000 from First Financial Bank. The agreement required the MMF to submit advance requests on the available funding of \$250,000. The loan carried an interest rate of 3.5% with the entire principal due in March 2031. The Port Authority repaid the loan and outstanding interest on November 12, 2021.

Torchlight Project Debt Obligations

In December 2017, the MMF requested \$40,000 which was received by year end. The loan obligation was not due until final maturity of December 17, 2030. The outstanding loan carried a 3.5% annual interest due payable at the final maturity. The Port Authority repaid the loan and outstanding interest on November 12, 2021.

Hook Drive Project Debt Obligations

On December 17, 2015, the MMF entered into a promissory note with Duke Energy for loan funding on the Hook Drive Project, amended for additional projects in 2018. The agreement required the MMF to submit advance requests on the available funding of \$500,000. The MMF received an additional draw of \$260,000 for use on the Hook Drive project. The loan obligation was not due until final maturity of December 17, 2030. The outstanding loan carried a 3.5% annual interest due payable at the final maturity. The Port Authority repaid the loan and outstanding interest on August 26, 2021.

Development Revenue Bonds 2021

On November 10, 2021, the Port Authority issued \$2,160,000 in development revenue bonds to assist MADE for the road/utilities work to help support the Phoenix Metals project and expansion of the park. The bonds were issued at a 4.60 percent interest rate with the final maturity on December 1, 2044.

**Middletown Port Authority
Butler County Ohio**

**Notes to the Basic Financial Statements
December 31, 2021**

NOTE 9 – Long Term Debt (Continued)

The principal and interest requirements for outstanding bonds as of December 31, 2021 are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2022	\$0	\$105,156	\$105,156
2023	0	99,360	99,360
2024	0	99,360	99,360
2025	60,000	98,670	158,670
2026	60,000	95,910	155,910
2027-2031	355,000	433,895	788,895
2032-2036	445,000	343,620	788,620
2037-2041	555,000	230,345	785,345
2042-2044	685,000	71,760	756,760
Totals	<u>\$2,160,000</u>	<u>\$1,578,076</u>	<u>\$3,738,076</u>

NOTE 10 – PROJECTS

During 2021, the Port Authority received a \$30,000 administrative fee for the Middletown MADE Series 2021A Bonds for the road/utilities to help support the Phoenix Metals project and expansion of the park.

NOTE 11 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Port Authority. The impact on the Port Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the Port Authority did not receive any funding for this program. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021. The Port Authority did not receive any funding from this program.

**Middletown Port Authority
Butler County Ohio**

**Notes to the Basic Financial Statements
December 31, 2021**

NOTE 12 – NET ACTIVITY WITH MMF CLOSURE

In 2021, the City of Middletown decided to terminate the MMF as the economic development extension for the City. As part of these actions, the obligations of the MMF were repaid with the remaining funds of the MMF, the outstanding interest owed on the loans payable paid off and loan receivable was transferred to the Port Authority.

Assets transferred from MMF to Port Authority	
Cash and Cash Equivalents	\$747,548
Loans Receivable	63,737
Liabilities from MMF retired by Port Authority	
Loans Payable	(740,000)
Accrued Interest	(67,973)
Net Impact on Port Authority 2021 balances	<u>\$3,312</u>

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

Middletown Port Authority
Butler County
One Donham Plaza
Middletown, OH 45044

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Middletown Port Authority, Butler County, (the Authority) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 22, 2024 wherein we noted the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of findings. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
October 22, 2024

**MIDDLETOWN PORT AUTHORITY
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2022-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following conditions were identified relating to the Authority's financial statements at December 31, 2021:

- The Authority overstated Long-Term Liabilities and understated Charges for Services in the amount of \$400,000.
- The Authority overstated Non-Operating Expenses and understated Operating Expenses in the amount of \$792,012.
- The Authority improperly reported Intergovernmental Revenue, resulting in an overstatement of Operating Revenue and an understatement of Non-Operating Revenue in the amount of \$545,000.

The Authority did not have procedures in place for effective monitoring of financial activity and the accuracy of accounting and financial reporting. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner.

The Authority should review and implement internal controls to ensure financial transactions are accurately recorded and reported.

Officials' Response:

Management agrees with the finding and wishes to provide additional context to this item by emphasizing that this item relates solely to the assembly of the accrual-based financial statements at year-end and does not relate, nor does it impact, the daily record-keeping and cash-basis records of the Port Authority. Additionally, the adjustments that were proposed and posted in connection with this finding ultimately did not change the Port Authority's opening net position, ending net position, and change in net position.

OHIO AUDITOR OF STATE KEITH FABER



MIDDLETOWN PORT AUTHORITY

BUTLER COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/7/2024

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

This report is a matter of public record and is available online at
www.ohioauditor.gov