



Dave Yost • Auditor of State

**BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the basic financial statements of the Butler County Port Authority, Butler County, Ohio (the Authority), as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Port 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 Butler County Port Authority, Butler County, Ohio, as of December 31, 2011 and 2010, and the changes in financial position and cash flows, thereof for the years 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 May 31, 2012, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

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

Dave Yost
Auditor of State

May 31, 2012

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011
(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, 2011. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in 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 2011 are as follows:

- 2011 marked the completion of the Port Authority's first large construction project with submission of the No Further Action letter regarding the Middletown Regional Hospital deconstruction project.
- The ending cash balance increased to \$215,011 or 13 percent above the 2010 amount. The increase is a direct result of receiving the remainder on the Clean Ohio Revitalization Grant in December. Over 61 percent of the cash balance is restricted in nature.
- Operating expenses were \$91,378 down from 2010 amount of \$165,977. The reduction was a direct result of several projects the Port Authority worked on not being finalized during 2011.
- The Port Authority received \$17,330 in project administration fees from reoccurring project revenue. The removal the prevailing wage requirement for Port Authority projects will help increase the administration fees.

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

Using this Financial Report

This financial report contains the basic financial statements of the Port Authority, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net 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.

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".

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

Table 1 provides a summary of the Port Authority's net assets for 2010 and 2011.

	2010	2011
Assets:		
Current and other assets	\$230,345	\$240,462
Long term assets	16,590,000	16,150,000
Total Assets	16,820,345	16,390,462
Liabilities:		
Current liabilities	459,348	566,385
Long term liabilities	16,150,000	15,685,000
Total Liabilities	16,609,348	16,251,385
Net Assets:		
Restricted	90,195	92,161
Unrestricted	120,802	46,916
Total Net Assets	\$210,997	\$139,077

During 2011, the Port Authority saw project activity decrease as the Port Authority submitted the No Further Action letter during the second half of the year on the Middletown Regional Hospital deconstruction project. The Port Authority worked on several different projects during the year but they did not generate project fees for various reasons. The main change in the assets and liabilities resulted from the YMCA paying their annual principal payments. The Port Authority reports the conduit issue as both an asset and liability as allowed under reporting requirements.

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

Table 2 - Changes in Net Assets

	<u>2010</u>	<u>2011</u>
Operating Revenues:		
Administrative Fees	\$112,110	\$17,330
Operating Expenses:		
Salaries	83,905	35,907
Fringe Benefits	28,952	13,159
Legal fees	16,820	4,860
Accounting	13,727	5,007
Administration	10,471	5,606
Professional Services	0	14,913
Insurance	3,807	3,851
Intergovernmental	8,295	8,075
Total Expenses	<u>165,977</u>	<u>91,378</u>
Operating (Loss)	<u>(53,867)</u>	<u>(74,048)</u>
Nonoperating Revenues (Expenses):		
Interest	443	128
Clean Ohio Revitalization Fund	0	88,090
Capital Grants	46,254	53,705
Capital Distributions	(47,882)	(136,658)
Legal Fees related to Projects	(6,324)	(3,137)
Total Nonoperating Revenue (Expense)	<u>(7,509)</u>	<u>2,128</u>
Change in Net Assets	(61,376)	(71,920)
Net Assets, Beginning of Year	<u>272,373</u>	<u>210,997</u>
Net Assets, End of Year	<u>\$210,997</u>	<u>\$139,077</u>

The Port Authority saw the Clean Ohio Revitalization Fund, capital grants and capital distributions increase in 2011 as the final draws were made and paid out on the Middletown Regional Hospital project. The administration fees were higher during 2010 resulting from the Intelligrated financing. The operating expenses were larger during 2010 resulting from a two year audit, additional legal fees related to projects that did not become official projects for the Port Authority and general operating costs that were necessary to market the Port Authority to the community. In June 2011, the Port Authority's Executive Director become the acting Butler County Administrator which helped reduce the overall personnel costs for the second half of the year since those costs were paid from professional services.

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

Capital Assets

The Port Authority had no capital assets at December 31, 2011.

Debt

The Port Authority reports \$16,150,000 in revenue bonds at December 31, 2011 related to the YMCA conduit financing. For more information on the Port Authority's debt see note 6 to basic financial statements.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Butler County Port Authority and to show the Port Authority's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Butler County Port Authority, 315 High Street, Hamilton, Ohio 45011 or by calling (513) 785-6302.

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**BUTLER COUNTY PORT AUTHORITY
 BUTLER COUNTY, OHIO
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2011**

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 50,288
Restricted Cash and Cash Equivalents	164,723
Accounts Receivables	25,451
TOTAL CURRENT ASSETS	240,462

LONG TERM ASSETS:

Receivable from YMCA	16,150,000
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TOTAL ASSETS	16,390,462
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	101,385
Current Portion of Revenue Bonds Payable	465,000
TOTAL CURRENT LIABILITIES:	566,385

LONG TERM LIABILITIES:

Revenue Bonds Payable	15,685,000
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TOTAL LIABILITIES	16,251,385
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NET ASSETS:

Restricted:

Capital Projects	92,161
Unrestricted Net Assets	46,916

TOTAL NET ASSETS	\$ 139,077
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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, 2011**

OPERATING REVENUES:

Administrative Fees	\$ 17,330
Total Operating Revenues	17,330

OPERATING EXPENSES:

Salaries	35,907
Fringe Benefits	13,159
Insurance	3,851
Legal Fees - Operating	4,860
Accounting	5,007
Professional Services	14,913
Other General Administration	5,606
Intergovernmental	8,075
Total Operating Expenses	91,378
Operating Loss	(74,048)

NONOPERATING REVENUES (EXPENSES):

Interest	128
Clean Ohio Revitalization Fund Grant	88,090
Legal Fees related to projects	(3,137)
Capital Grants	53,705
Capital Distributions	(136,658)
Total Nonoperating Revenues (Expenses)	2,128

CHANGE IN NET ASSETS

	(71,920)
Net Assets Beginning of Year	210,997
Net Assets End of Year	\$ 139,077

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, 2011**

Cash flows from operating activities:

Cash received from customers	\$ 19,926
Cash payments to employees for services	(54,217)
Cash payments to supplier for goods and services	(53,137)
Net cash used for operating activities	<u>(87,428)</u>

Cash flows from capital related activities:

Capital grants received for construction project	154,481
Capital distributions for construction project	(39,264)
Other professional services for construction project	(2,518)
Net cash used for capital related activities	<u>112,699</u>

Cash flows from investing activities:

Interest received	128
Net cash provided by investing activities	<u>128</u>

Net Decrease in Cash and Cash Equivalents 25,399

Cash and cash equivalents at beginning of year	189,612
Cash and cash equivalents at end of year	<u>\$ 215,011</u>

Reconciliation of operating loss to net cash used for operating activities

Operating Loss	(74,048)
Adjustments to reconcile operating loss to net cash used for operating activities	
Decrease in Accounts Receivable	2,596
Decrease in Accounts Payable	(10,824)
Decrease in Accrued Wages	(5,152)
Net cash used for operating activities	<u>\$ (87,428)</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, 2011

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, 2011

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 4582.39 requires the port authority to annually prepare a budget.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

For 2011 the Port Authority did not certify beginning balances on or about the first day of each fiscal year; certify revenue available for appropriation; and adopt appropriations within available resources.

D. Cash and Cash Equivalents

The Port Authority maintains a cash management program whereby cash is deposited with a banking institution in Butler County. The agreements restrict activity to certain deposits. These deposits are stated at cost which approximates market value. Investment procedures are restricted by the provisions of the Ohio Revised Code. The Port Authority had no investments at the end of the year.

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

E. Restricted Cash and Cash Equivalents

The Port Authority maintains restricted cash and cash equivalents that are to be used for the Middletown Regional Hospital deconstruction project. The project was initially funded with a deposit from the Atrium Medical Center (the "Center") to help cover cash flow on the project. At the end of 2011, the Port Authority received the final disbursement from the Clean Ohio Revitalization Grant program that was disbursed to the Center in 2012. Both of those amounts are considered restricted resources of the Port Authority.

F. 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 reimbursements and administration fees on the Middletown Regional Hospital deconstruction project at December 31, 2011.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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.

H. 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.

I. Accrued Liabilities

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

J. 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 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.

K. Conduit Debt Financing

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. 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 \$215,011 and the bank balance was \$215,657. All of the bank balance was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$0 of the deposits were exposed to custodial credit risk.

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

Investments

As of December 31, 2011, the Port Authority had no investments.

4. CAPITAL ASSETS

As of December 31, 2011, the Port Authority had no capital assets.

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

5. RISK MANAGEMENT

The Port Authority is covered by general liability and public official liability insurance with the National Union Fire Insurance Company of Pittsburgh, PA. Coverage with a private carrier provides bonding, liability insurance on the \$1,000,000 maximum per claim and in aggregate. There is no general liability coverage as the Port Authority does not maintain a separate place of business or have employees to insure. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years. There were no changes in coverage from the prior year.

6. CONDUIT DEBT PAYABLE

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

The following revenue bond was collateralized by either both of a pledge of the revenues of the borrowing institution (which is not determinable by the Port Authority or required to be determined under the loan covenant) or by first mortgages on the physical property financed with the proceeds of the debt offerings and by the Port Authority's assignment of its interest in the mortgage properties to the trustee of the bond issue at December 31, 2011:

Revenue Bond	Maturity Date	Interest Rate	Principal Balance as of 12/31/11
Greater Miami Valley YMCA Project	09/01/2037	Varies	\$16,150,000

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BUTLER COUNTY, OHIO
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DECEMBER 31, 2011

7. PROJECTS

Electric Lock/Switch Replacement

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

Quaker Chemicals Expansion

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

Middletown Regional Hospital (the "Hospital") Demolition Project

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

The Port Authority was also the recipient of a \$750,000 Brownsfield Revolving Loan at 1.25 percent interest in relation to this project during 2010. The Hospital is the guarantor and making the annual payments on the loan. The outstanding balance at December 31, 2011 was \$501,551 as the Ohio Department of Development waived \$150,000 on the principal due and the Hospital made the initial payment in October 2011 reducing the principal another \$98,449.

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

7. PROJECTS

Intelligrated Acquisition Project

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

Future Projects

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

- Carrier Neutral Fiber Network – The Port Authority is working with several local communities to determine ownership and ability to use the fiber network in the Butler County area.
- State Route 63 Study Group – The Port Authority is involved in the study group that is evaluating the transportation and economic development needs in the St. Clair and Madison Township areas.
- Assessment Grants for Hazardous Waste and Petroleum – The Port Authority submits grant applications to help evaluate and potentially correct properties affected by hazardous waste or petroleum buried tanks.
- The Port Authority has been in initial discussions with a large multi-tenant developer in the Liberty Township area that could include the financing of commercial buildings, parking garages or other involvement.

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

8. DEFINED BENEFIT PENSION PLAN

Public Employees Retirement System

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

OPERS administers three separate pension plans as described below:

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

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

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations with the employer portion at 14 percent. Contributions are authorized by State statute. The fiscal year 2011 contribution rate is 10 percent for pension contributions and are determined actuarially. The Port Authority's required contributions to OPERS for the year ended December 31, 2011, 2010, and 2009 was \$2,595, \$11,695, and \$11,329. 100 percent has been contributed for all the years presented.

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

9. POSTEMPLOYMENT BENEFITS

Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2011 employer contribution rate was 14 percent of covered payroll; 4 percent was the portion that was used to fund health care. The Port Authority's actual contributions for the year ended December 31, 2011, 2010 and 2009 that were used to fund OPEB were \$858, \$4,223 and \$5,665. 100 percent has been contributed for all the years presented.

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

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(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, 2010. 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 2010 are as follows:

- 2010 continued with the Port Authority's first large construction contract with the Port Authority drawing out a Brownfield Revolving Loan Fund \$750,000 and passing it through to the Atrium Medical Center.
- The ending cash balance was \$189,612 or 55 percent of the 2009 amount. The reduction resulted from the Port Authority spending the majority of the restricted cash balance on the MRH project.
- Operating expenses were \$165,977 while nonoperating expenses of \$54,206 related to the deconstruction project were reimbursed through project coordination agreements and a state grant.
- The Port Authority received \$112,110 in project administration fees. Sixty-two percent of the fee revenue was derived from the Intelligrated conduit financing.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(UNAUDITED)

Using this Financial Report

This financial report contains the basic financial statements of the Port Authority, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net 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.

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".

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(UNAUDITED)

Table 1 provides a summary of the Port Authority's net assets for 2009 and 2010.

Table 1 - Net Assets

	2009	2010
Assets:		
Current and other assets	\$500,441	\$230,345
Long term assets	17,015,000	16,590,000
Total Assets	17,515,441	16,820,345
Liabilities:		
Current liabilities	653,068	459,348
Long term liabilities	16,590,000	16,150,000
Total Liabilities	17,243,068	16,609,348
Net Assets:		
Restricted	98,239	90,195
Unrestricted	174,134	120,802
Total Net Assets	\$272,373	\$210,997

During 2010, the Port Authority saw project activity decrease as the Port Authority wrapped the demolition of the Middletown Regional Hospital although certain final environmental reporting is still pending. The Port Authority worked on two potential projects using ARRA stimulus financing but neither project was successfully completed as the project participants could not get other financing that was required. The largest decreases in assets and liabilities related to items that were connected to the deconstruction project. The current and other assets decreased as the Port Authority spent down the restricted funds. In 2009, there was a significant contract payable for the construction work but 2010 reported \$0 for those liabilities.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(UNAUDITED)

Table 2 - Changes in Net Assets

	2009	2010
Operating Revenues:		
Local contributions	\$150,000	\$0
Administrative Fees	97,365	112,110
Other operating revenues	10	0
Total Revenues	<u>247,375</u>	<u>112,110</u>
Operating Expenses:		
Salaries	78,283	83,905
Fringe Benefits	26,351	28,952
Legal fees	8,159	16,820
Accounting service	9,496	13,727
Administration	7,210	10,471
Insurance	3,487	3,807
Intergovernmental	8,508	8,295
Total Expenses	<u>141,494</u>	<u>165,977</u>
Operating Income (Loss)	<u>105,881</u>	<u>(53,867)</u>
Nonoperating Revenues (Expenses):		
Interest	1,099	443
Clean Ohio Revitalization Fund	1,092,892	0
Capital Grants	4,510,454	46,254
Capital Distributions	(5,629,745)	(47,882)
Legal Fees related to Projects	(7,801)	(6,324)
Total Nonoperating Revenue (Expense)	<u>(33,101)</u>	<u>(7,509)</u>
Change in Net Assets	72,780	(61,376)
Net Assets, Beginning of Year	<u>199,593</u>	<u>272,373</u>
Net Assets, End of Year	<u>\$272,373</u>	<u>\$210,997</u>

The Port Authority saw decreased activity in the capital grants and capital distributions during 2010 compared with 2009 as deconstruction and other professional services expenses for the Middletown Regional Hospital project was significantly completed during 2009. The Port Authority received an operating contribution during 2009 with the belief it would become self-supporting from that point forward. The only revenue source for 2010 was related to administration fees and those were higher during 2010 resulting from the Intelligrated financing. The operating expenses increase during 2010 was the result of having an audit, additional legal fees related to projects that did not become official projects for the Port Authority and general operating costs that were necessary to market the Port Authority to the community.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(UNAUDITED)

Capital Assets

The Port Authority had no capital assets at December 31, 2010.

Debt

The Port Authority reports \$16,590,000 in revenue bonds at December 31, 2010 related to the YMCA conduit financing. For more information on the Port Authority's debt see note 7 to basic financial statements.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Butler County Port Authority and to show the Port Authority's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Butler County Port Authority, 315 High Street, Hamilton, Ohio 45011 or by calling (513) 785-6302.

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**BUTLER COUNTY PORT AUTHORITY
 BUTLER COUNTY, OHIO
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2010**

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 137,554
Restricted Cash and Cash Equivalents	52,058
Accounts Receivables	40,733
TOTAL CURRENT ASSETS	230,345

LONG TERM ASSETS:

Receivable from YMCA	16,590,000
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TOTAL ASSETS	16,820,345
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	14,196
Accrued Wages	5,152
Current Portion of Revenue Bonds Payable	440,000
TOTAL CURRENT LIABILITIES:	459,348

LONG TERM LIABILITIES:

Revenue Bonds Payable	16,150,000
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TOTAL LIABILITIES	16,609,348
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NET ASSETS:

Restricted:	
Capital Projects	90,195
Unrestricted Net Assets	120,802

TOTAL NET ASSETS	\$ 210,997
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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, 2010**

OPERATING REVENUES:

Administrative Fees	\$ 112,110
Total Operating Revenues	112,110

OPERATING EXPENSES:

Salaries	83,905
Fringe Benefits	28,952
Insurance	3,807
Legal Fees - Operating	16,820
Accounting	13,727
Other General Administration	10,471
Intergovernmental	8,295
Total Operating Expenses	165,977
Operating Loss	(53,867)

NONOPERATING REVENUES (EXPENSES):

Interest	443
Legal Fees related to projects	(6,324)
Capital Grants	46,254
Capital Distributions	(47,882)
Total Nonoperating Revenues (Expenses)	(7,509)

CHANGE IN NET ASSETS

	(61,376)
Net Assets Beginning of Year	272,373
Net Assets End of Year	\$ 210,997

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, 2010**

Cash flows from operating activities:	
Cash received from customers	\$ 109,514
Cash payments to employees for services	(112,578)
Cash payments to supplier for goods and services	(41,810)
Net cash used for operating activities	<u>(44,874)</u>
Cash flows from capital related activities:	
Capital grants received for construction project	162,370
Capital distributions for construction project	(266,762)
Other professional services for construction project	(7,753)
Net cash used for capital related activities	<u>(112,145)</u>
Cash flows from investing activities:	
Interest received	443
Net cash provided by investing activities	<u>443</u>
Net Decrease in Cash and Cash Equivalents	(156,576)
Cash and cash equivalents at beginning of year	346,188
Cash and cash equivalents at end of year	<u>\$ 189,612</u>
Reconciliation of operating loss to net cash used for operating activities	
Operating Loss	(53,867)
Adjustments to reconcile operating loss to net cash used for operating activities	
Increase in Accounts Receivable	(2,596)
Increase in Accounts Payable	11,309
Increase in Accrued Wages	280
Net cash used for operating activities	<u>\$ (44,874)</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, 2010

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, 2010

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 4582.39 requires the port authority to annually prepare a budget.

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

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Port Authority did not adopt an operating budget for 2010. Also, for 2010 and 2011 the Port Authority did not certify beginning balances on or about the first day of each fiscal year; certify revenue available for appropriation; and adopt appropriations within available resources.

D. Cash and Cash Equivalents

The Port Authority maintains a cash management program whereby cash is deposited with a banking institution in Butler County. The agreements restrict activity to certain deposits. These deposits are stated at cost which approximates market value. Investment procedures are restricted by the provisions of the Ohio Revised Code. The Port Authority had no investments at the end of the year.

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

E. Intergovernmental Receivable

Receivables recorded on the Port Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable systematic method of determining their existence, completeness, valuation and collectibility. The Port Authority had receivables related to reimbursements and administration fees on the Middletown Regional Hospital deconstruction project at December 31, 2010.

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.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Estimates

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

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority as:

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

Deposits

At fiscal year-end, the carrying value of the Port Authority's deposits was \$189,612 and the bank balance was \$193,425. All of the bank balance was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$0 of the deposits were exposed to custodial credit risk.

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

Investments

As of December 31, 2010, the Port Authority had no investments.

4. CAPITAL ASSETS

As of December 31, 2010, the Port Authority had no capital assets.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

5. RISK MANAGEMENT

The Port Authority is covered by general liability and public official liability insurance with the National Union Fire Insurance Company of Pittsburgh, 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 were 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 8. The Port Authority was 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 2010, the Port Authority received \$14,900 of reimbursements from CSX, Inc. The loan payable was repaid during 2009.

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.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

7. CONDUIT DEBT PAYABLE (continued)

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, 2010:

Revenue Bond	Maturity Date	Interest Rate	Principal Balance as of 12/31/10
Greater Miami Valley YMCA Project	09/01/2037	Varies	\$16,590,000

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 was received by the Port during 2010.

Quaker Chemicals Expansion

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

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

8. PROJECTS (continued)

Middletown Regional Hospital (the "Hospital") Demolition Project

During 2007, the Port Authority was awarded a \$1.8 million grant from the Clean Ohio Revitalization Fund for the demolition and revitalization of the facility located on McKnight Drive in Middletown. The Port Authority and Hospital finalized a construction agency agreement and purchase-sale agreement allowing for the old Hospital facility to be demolished and then sold to a developer that will turn the site into market rate homes. The project had been completed by September 1, 2009 although not transferred to a developer at December 31, 2010. The Port Authority will be filing a no further action letter and documentation for the brownsfield revolving loan fund during 2011.

The Port Authority was also the recipient of a \$750,000 Brownsfield Revolving Loan at 1.25 percent interest in relation to this project. The Hospital is the guarantor and making the annual payments on the loan. The outstanding balance at December 31, 2010 was \$750,000; however in 2011 the Ohio Department of Development waived \$150,000 on the principal due.

Intelligrated Acquisition Project

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

Future Projects

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

- The Duke Energy Site Evaluation – A Grant program provided by Duke Energy that evaluates a potential property for development and assessment of areas of concern or improvement. The evaluation looked at a 244 acre site on Wayne-Madison Road in St. Clair Township.
- Carrier Neutral Fiber Network – The Port Authority is working with several local communities to determine ownership and ability to use the fiber network in the Butler County area.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

8. PROJECTS (continued)

- State Route 63 Study Group – The Port Authority is involved in the study group that is evaluating the transportation and economic development needs in the St. Clair and Madison Township areas.
- Assessment Grants for Hazardous Waste and Petroleum – The Port Authority submits grant applications to help evaluate and potentially correct properties affected by hazardous waste or petroleum buried tanks.

9. DEFINED BENEFIT PENSION PLAN

Public Employees Retirement System

The Port Authority contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report 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).

OPERS administers three separate pension plans as described below:

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

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

-The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to 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.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

9. DEFINED BENEFIT PENSION PLAN (continued)

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 Port Authority's required contributions to OPERS for the year ended December 31, 2010, 2009 and 2008 was \$11,695, \$11,329 and \$5,600. 85 percent has been contributed for 2010 with the remainder being reported as a liability within the general fund and 100 percent for 2009 and 2008.

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 2010 employer contribution rate was 14 percent of covered payroll; 5.5 percent was the portion that was used to fund health care from January 1, 2010 to February 28, 2010 and 5 percent was the portion that was used to fund health care from March 1, 2010 to December 31, 2010. The Port Authority's actual contributions for 2010, 2009 and 2008 that were used to fund OPEB were \$4,223, \$5,665 and \$2,800. 85 percent has been contributed for 2010 with the remainder being reported as a liability within the general fund and 100 percent for 2009 and 2008.

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



Dave Yost • Auditor of State

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

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

To the Members of the Board:

We have audited the basic financial statements of the Butler County Port Authority, Butler County, Ohio (the Authority), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 31, 2012. 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 Authority'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.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We did note a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated May 31, 2012.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

May 31, 2012

**BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

NONCOMPLIANCE

Ohio Rev. Code, Section 4582.39, states that the board of directors of a port authority created in accordance with Section 4582.22 of the Revised Code shall annually prepare a budget.

Ohio Rev. Code, Section 5705.28(B)(2)(a), requires a taxing unit that does not levy a tax to, on or before the fifteenth day of July each year, adopt an operating budget for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

Ohio Rev. Code, Section 5705.28(B)(2)(b), requires a taxing unit that does not levy a tax to follow Ohio Rev. Code, Sections 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44 and 5705.45. These sections separately require the Port Authority to, in part: certify beginning balances on or about the first day of each fiscal year; certify revenue available for appropriation; adopt appropriations within available resources; certify the availability of funds prior to incurring obligations; and, limit expenditures to appropriations for each fund. However, documents prepared in accordance with such Sections are not required to be filed with the county auditor or county budget commission.

The Port Authority is a taxing unit that did not levy a tax, and the Port authority did not adopt an operating budget for 2010. Also, for 2010 and 2011 the Port Authority did not certify beginning balances on or about the first day of each fiscal year; certify revenue available for appropriation; and adopt appropriations within available resources. Therefore, the Port Authority was unable to certify the availability of funds prior to incurring obligations and limit expenditures to appropriations for each fund

We recommend that the Port Authority prepare the budgetary documents required by Ohio Rev. Code Section 4582.39 and 5705.28(B)(2)(b) and that the Board regularly monitor actual expenses and receipts against appropriations and estimated receipts and make modifications as needed.

Officials' Response:

The Port Authority has determined that starting for fiscal year 2013 it will follow the ORC guidance as related to the budgetary requirements of certifying the respective revenue and available balances as the fiscal year 2012 date has passed. The Port Authority will pass a 2013 budget in the June 2012 meeting.

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**BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	ORC 4582.39 Budgetary Noncompliance	No	Reissued as Finding 2011-001

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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
JUNE 21, 2012**