



Mary Taylor, CPA
Auditor of State

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
2009 Financials:	
Management's Discussion and Analysis For the Year Ended December 31, 2009	3
Statement of Net Assets December 31, 2009	7
Statement of Revenues, Expenses, and Changes in Net Assets For the Year Ended December 31, 2009	8
Statement of Cash Flows For the Year Ended December 31, 2009	9
Notes to the Financial Statements For the Year Ended December 31, 2009	11
2008 Financials:	
Management's Discussion and Analysis For the Year Ended December 31, 2008	19
Statement of Net Assets December 31, 2009	23
Statement of Revenues, Expenses, and Changes in Net Assets For the Year Ended December 31, 2008	24
Statement of Cash Flows For the Year Ended December 31, 2008	25
Notes to the Financial Statements For the Year Ended December 31, 2008	27
2007 Financials:	
Management's Discussion and Analysis For the Period February 6, 2007 to December 31, 2007	35
Statement of Net Assets December 31, 2007	39
Statement of Revenues, Expenses, and Changes in Net Assets For the Period February 6, 2007 to December 31, 2007	40
Statement of Cash Flows For the Period February 6, 2007 to December 31, 2007	41
Notes to the Financial Statements For the Period February 6, 2007 to December 31, 2007	43

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Schedule of Findings.....	51



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Warren County Port Authority
Warren County
406 Justice Drive
Lebanon, Ohio 45036

To the Board of Directors:

We have audited the accompanying basic financial statements of the business-type activities of the Warren County Port Authority, Warren County, Ohio (the Authority), as of and for the years ended December 31, 2009, December 31, 2008 and the period February 6, 2007 to December 31, 2007 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority, Auglaize County, and the changes in financial position and its 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 June 4, 2010, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

June 4, 2010

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(UNAUDITED)

The discussion and analysis of the Warren County Port Authority (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2009. 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 2009 are as follows:

- 2009 provided the Port with \$101,118 in administration fees from projects.
- The operating ending cash balance was \$94,240, which was a 7.64% increase from the 2008 ending balance.
- Operating expenses were \$113,842, which was 75 percent of the operating revenues.
- The Port Authority issued the second long term debt obligation since inception with this issued being in relation to the Cincinnati Premium Outlets project.

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.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(UNAUDITED)

Statement of Net Assets

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

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

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

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

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

Table 1 provides a comparison of the Port Authority's net assets for 2008 to 2009.

Table 1		
Net Assets		
	<u>2008</u>	<u>2009</u>
Assets:		
Current and other assets	\$3,143,065	\$3,863,622
Capital assets	<u>6,278,683</u>	<u>11,333,772</u>
Total Assets	<u>9,421,748</u>	<u>15,197,394</u>
Liabilities:		
Current liabilities	68,530	89,378
Long term liabilities	<u>10,000,000</u>	<u>15,600,000</u>
Total Liabilities	<u>10,068,530</u>	<u>15,689,378</u>
Net Assets:		
Unrestricted	<u>(646,782)</u>	<u>(491,984)</u>
Total Net Assets	<u>(\$646,782)</u>	<u>(\$491,984)</u>

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(UNAUDITED)

For 2009, the Port Authority had construction bond proceeds still remaining at year end increasing the current and other assets balance from 2008. With the Cincinnati Premium Outlets construction project occurring during 2009, the Port Authority increased the capital assets by 81 percent. The Port Authority also issued long term special improvement bonds during 2009 that resulted in the increases to long term liabilities and deferred charges (current and other assets) related to the bond issuance costs.

Table 2 compares the changes in net assets for the year 2008 and 2009.

Table 2
Changes in Net Assets

	2008	2009
Operating Revenues:		
Local contributions	\$56,000	\$50,000
Administrative Fees	58,710	101,118
Interest and Miscellaneous Revenue	0	108
Total Revenues	<u>114,710</u>	<u>151,226</u>
Operating Expenses:		
Legal fees	60,162	34,170
Accounting service	1,350	1,639
Administration/Professional Services	2,605	19,495
Insurance	2,498	4,829
Intergovernmental	31,000	53,709
Total Expenses	<u>97,615</u>	<u>113,842</u>
Operating Income	17,095	37,384
Nonoperating Revenues (Expenses):		
Interest Revenue	75,558	26,629
Local Contributions	220,500	338,030
Planning Studies	(119,004)	0
State Grants	0	700,000
Scholarships	(119,004)	(53,045)
Interest Expense	(799,544)	(894,200)
Total Nonoperating Revenues	<u>(723,990)</u>	<u>117,414</u>
Increase in Net Assets	(706,895)	154,798
Net Assets, Beginning of Year	<u>60,113</u>	<u>(646,782)</u>
Net Assets, End of Year	<u>(\$646,782)</u>	<u>(\$491,984)</u>

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(UNAUDITED)

The Port Authority saw administrative fee activity increase related to the administration fee on prior debt issues and new debt issues during 2009. The Port Authority also received about \$7,000 in connection with the YMCA conduit financing from the Butler County Port Authority as the actual construction project occurred in Warren County but also involved refinancing of Butler County debt. The Port Authority also received a state grant in connection with the VH Monroe project and saw interest expense increase as another obligation was in place and a full year was charged on the VH Monroe project.

Capital Assets

The Port Authority recognized construction in progress of \$11,333,772 at December 31, 2009. For more information on the Port Authority's capital assets see note 5.

Debt

The Port Authority issued a \$5.6 million special obligation bond during 2009. For more information on the Port Authority's capital assets see note 7.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Warren County Port Authority and to show the Port Authority's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Warren County Port Authority, 406 Justice Drive, Lebanon, Ohio 45036 or by calling (513) 695-2090.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 94,240
Restricted Cash and Cash Equivalents	3,101,327
Accounts Receivable	50,000
TOTAL CURRENT ASSETS	<u>3,245,567</u>

NON CURRENT ASSETS:

Deferred Charges	618,055
Construction in Progress	11,333,772
TOTAL CURRENT ASSETS	<u>11,951,827</u>

TOTAL ASSETS	<u>15,197,394</u>
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	9,168
Accrued Interest Payable	80,210
TOTAL CURRENT LIABILITIES:	<u>89,378</u>

LONG TERM LIABILITIES:

Public Improvement Bonds	15,600,000
TOTAL LONG TERM LIABILITIES:	<u>15,600,000</u>

TOTAL LIABILITIES	<u>15,689,378</u>
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NET ASSETS:

Unrestricted Net Assets	<u>\$ (491,984)</u>
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See accompanying notes to the financial statements

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009**

OPERATING REVENUES:

Administrative Fees	\$ 101,118
Local Government Receipts	50,000
Interest	48
Other Revenues	<u>60</u>
Total Operating Revenues	<u>151,226</u>

OPERATING EXPENSES:

Insurance	4,829
Legal Fees	34,170
Accounting	1,639
Professional Services	8,181
Other General Administration	11,314
Intergovernmental	<u>53,709</u>
Total Operating Expenses	<u>113,842</u>
Operating Income	<u>37,384</u>

NONOPERATING REVENUES (EXPENSES):

Interest Revenue	26,629
Local Contributions - nonoperating	338,030
State Grants	700,000
Scholarships	(53,045)
Interest Expense	<u>(894,200)</u>
Total Nonoperating Revenues (Expenses)	<u>117,414</u>

CHANGE IN NET ASSETS

	154,798
Net Assets Beginning of Year (Deficit)	<u>(646,782)</u>
Net Assets End of Year (Deficit)	<u>\$ (491,984)</u>

See accompanying notes to the financial statements

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Cash flows from operating activities:	
Cash received from customers	\$ 51,118
Cash payments to supplier for goods and services	(112,823)
Other miscellaneous revenue	108
Net cash used for operating activities	<u>(11,597)</u>
 Cash flows from noncapital financing activities:	
Local Contributions	338,030
Cash payments for scholarships	(53,045)
Net cash provided by noncapital financing activities	<u>284,985</u>
 Cash Flows from Capital and Related Financing Activities:	
Capital Grant Contributions	700,000
Face Value from the Sale of Project Improvement Bonds	5,600,000
Acquisition and Construction of Capital Assets	(5,055,089)
Payment for the cost of issuance	(275,878)
Interest Paid on All Debt	(846,194)
Net cash provided by capital and related financing activities	<u>122,839</u>
 Cash flows from investing activities:	
Interest received	<u>55,469</u>
Net cash provided by investing activities	<u>55,469</u>
Net Increase in Cash and Cash Equivalents	451,696
Cash and cash equivalents at beginning of year	<u>2,743,871</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,195,567</u></u>
 Reconciliation of operating income to net cash used for operating activities	
Operating Income	37,384
Adjustments to reconcile operating income to net cash used for operating activities	
Increase in Accounts Receivable	(50,000)
Increase in Accounts Payable	1,019
Net cash used for operating activities	<u><u>\$ (11,597)</u></u>

See accompanying notes to the financial statements

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WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

1. DESCRIPTION OF THE REPORTING ENTITY

The Warren County Port Authority (the "Port Authority") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority was established in February 2007 pursuant to section 4582.22 of the Ohio Revised Code by resolution of Warren County. The seven voting member Board of Directors directs the Port Authority.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements of Warren County Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Port Authority's accounting policies are described below.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 statement present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Data

Ohio Revised Code Section 4582.13 requires the Port Authority annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

D. Cash and Cash Equivalent

The Port Authority maintains a cash management program whereby cash is deposited with a banking institution in Warren County. The agreements restrict activity to certain deposits. These deposits are stated at cost which approximates market value. Investment procedures are restricted by the provisions of the Ohio Revised Code.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less and funds within the cash management pool are considered to be cash equivalents. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts, such as certificates of deposit, are reported at cost. During fiscal year 2009, investments were limited to U.S Treasury bills and money market mutual funds.

Interest revenue credited to the general fund during 2009 amounted to \$48, which includes \$0, assigned from other funds. Interest was also credited to the VH Monroe and Cincinnati Premium Outlets internal capital project funds in the amount of \$25,231 and \$1,398.

E. Capital Assets

Capital assets generally result from expenses related to construction projects. These assets are reported on the statement of net assets. All capital assets are reported at cost (or estimated historical cost) and updated for additions and deletions during the year. The Port Authority capitalizes improvements related to construction projects as construction in progress. The Port Authority has no capital asset policy and has no other reported capital assets.

F. Intergovernmental Receivable

Receivables on the Port Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable systematic method of determining their existence, completeness, valuation and collectibility. The Port Authority did not have any intergovernmental receivables at December 31, 2009.

G. Organizational Costs

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

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

I. Accrued Liabilities

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

Long term debt and other related financing amounts are reported as a liability or deferred assets on the statement of net assets.

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 Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

3. DEPOSITS AND INVESTMENTS (continued)

Deposits

At fiscal year-end, the carrying value of the Port Authority's deposits was \$94,240 and the bank balance was \$93,788. All of the Port Authority's deposits was insured by federal depository insurance.

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

Investments

As of December 31, 2009, the Port Authority had the following investments.

Categorized Investments	Less than One Year	Credit Rating
U.S Treasury Bills	\$459,825	S& P – AAA
Money Market Mutual Funds	2,641,502	S& P – AAAM
Total	<u>\$3,101,327</u>	

Interest Rate Risk - The Port Authority has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Port Authority, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk - The Port Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port Authority has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

3. DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk - The Port Authority places no limit on the amount it may invest in any one issuer. The Port Authority's has a 14.83% interest in U.S Treasury bills and 85.17% interest in Money Market Mutual funds. These are the only investments of the Port Authority greater than five percent

4. RECEIVABLES

Receivables at December 31, 2009, consisted of administration fees earned on the VH Monroe project.

5. CAPITAL ASSETS

A summary of the changes in capital assets during the year ended December 31, 2009, follows:

	Balance 12/31/2008	Increases	Decreases	Balance 12/31/2009
Capital Assets, not being depreciated				
Construction in Progress	\$6,278,683	\$5,055,089	\$0	\$11,333,772
Total Capital Assets	<u>\$6,278,683</u>	<u>\$5,055,089</u>	<u>\$0</u>	<u>\$11,333,772</u>

6. RISK MANAGEMENT

The Port Authority is covered by public official liability insurance with Darwin Select Insurance Company. Coverage with a private carrier provides bonding, liability insurance on the \$1,000,000 maximum per claim and in aggregate. There is no general liability coverage as the Port Authority does not maintain a separate place of business or have employees to insure.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

7. LONG TERM OBLIGATIONS

A summary of the changes in long-term obligations during the year ended December 31, 2009 follows:

	Balance 12/31/2008	Increase	Decrease	Balance 12/31/2009	Due within one year
Project Improvement Bonds	\$10,000,000	\$0	\$0	\$10,000,000	\$0
Special Obligations Bonds	0	5,600,000	0	5,600,000	0
Total	\$10,000,000	\$5,600,000	\$0	\$15,600,000	\$0

The project improvement bond was issued at an interest rate between 7.00 and 7.50 percent on September 24, 2008. The debt was issued for the purpose of constructing street improvements, utilities and a storm water control system in a commercial development. The special obligation bonds were issued at an interest rate between 3.00 and 5.125 percent on May 27, 2009. The debt was issued for the purpose of constructing street improvements around a new retail development in the western portion of Warren County.

Years	Project Improvement Bonds		
	Principal	Interest	Total
2010	\$0	\$724,575	\$724,575
2011	0	724,575	724,575
2012	0	724,575	724,575
2013	0	724,575	724,575
2014	0	724,575	724,575
2015-2019	665,000	3,600,475	4,265,475
2020-2024	2,130,000	3,112,225	5,242,225
2025-2029	2,970,000	2,257,875	5,227,875
2030-2034	4,235,000	998,625	5,233,625
Totals	\$10,000,000	\$14,316,650	\$24,316,650

Years	Special Obligations Bonds		
	Principal	Interest	Total
2010	\$0	\$237,950	\$237,950
2011	225,000	237,950	462,950
2012	230,000	231,200	461,200
2013	240,000	224,300	464,300
2014	245,000	217,100	462,100
2015-2019	1,360,000	949,834	2,309,834
2020-2024	1,660,000	647,458	2,307,458
2025-2028	1,640,000	211,724	1,851,724
Totals	\$5,600,000	\$3,079,135	\$8,679,135

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

8. PROJECTS

VH Monroe Special Assessment Project

The Port Authority has worked with the City of Monroe and VH Monroe to partner with the parties to provide assistance to the project through a special assessment note and bond issuance that occurred in 2008. The VH Monroe project will provide for large commercial/industrial development on the western edge of Warren County in the City of Monroe. The VH Monroe project is located on the southeastern corner of State Route 63 and Interstate 75. The Port Authority's role was necessary to help move this project forward allowing the retention pond and some other public infrastructure to be completed by the developer. The project is located in a tax increment financing district and CRA area for the City of Monroe.

Cincinnati Premium Outlets

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

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(UNAUDITED)

The discussion and analysis of the Warren County Port Authority (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

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

Financial Highlights

Key financial highlights for 2008 are as follows:

- 2008 marked Port Authority's first full year of operations with administration fees from projects totaling \$58,710.
- The operating ending cash balance was \$87,549, which was almost a 36% increase from the 2007 ending balance.
- Operating expenses were \$97,615, which was 85 percent of the operating revenues.
- The Port Authority issued the first long term debt obligation in relation to the VH Monroe development project.
- The Port Authority facilitated two planning studies within the County.

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.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(UNAUDITED)

Statement of Net Assets

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

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

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

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

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

Table 1 provides a comparison of the Port Authority's net assets for 2007 to 2008.

Table 1		
Net Assets		
	<u>2007</u>	<u>2008</u>
Assets:		
Current and other assets	\$64,408	\$2,772,711
Noncurrent assets	<u>0</u>	<u>6,649,037</u>
Total Assets	<u>64,408</u>	<u>9,421,748</u>
Liabilities:		
Current liabilities	4,295	68,530
Long term liabilities	<u>0</u>	<u>10,000,000</u>
Total Liabilities	<u>4,295</u>	<u>10,068,530</u>
Net Assets:		
Unrestricted	<u>60,113</u>	<u>(646,782)</u>
Total Net Assets	<u>\$60,113</u>	<u>(\$646,782)</u>

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(UNAUDITED)

For 2008, the Port Authority had construction bond proceeds still remaining at year end causing the current asset balance to increase significantly from 2007. With the construction project occurring during 2008, the Port Authority recorded construction in progress for the first time. The Port Authority also issued long term project improvement bonds during 2008 that resulted in the recognition of a long term liability and deferred charges related to the bond issuance costs.

Table 2 compares the changes in net assets for the year 2007 and 2008.

Table 2		
Changes in Net Assets		
	<u>2007</u>	<u>2008</u>
Operating Revenues:		
Local contributions	\$25,000	\$56,000
Administrative Fees	44,882	58,710
Total Revenues	<u>69,882</u>	<u>114,710</u>
Operating Expenses:		
Legal fees	6,459	60,162
Accounting service	617	1,350
Administration	227	2,605
Insurance	2,499	2,498
Intergovernmental	0	31,000
Total Expenses	<u>9,802</u>	<u>97,615</u>
Operating Income	60,080	17,095
Nonoperating Revenues (Expenses):		
Interest Revenue	33	75,558
Local Contributions	0	220,500
Planning Studies	0	(119,004)
Scholarships	0	(101,500)
Interest Expense	0	(799,544)
Total Nonoperating Revenues	<u>33</u>	<u>(723,990)</u>
Increase in Net Assets	60,113	(706,895)
Net Assets, Beginning of Year	<u>0</u>	<u>60,113</u>
Net Assets, End of Year	<u>\$60,113</u>	<u>(\$646,782)</u>

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(UNAUDITED)

The Port Authority saw administrative fee activity during 2008 increase related to two different debt issuances. The Port Authority also received about \$7,000 in connection with the YMCA conduit financing from the Butler County Port Authority as the actual construction project occurred in Warren County but also involved refinancing of Butler County debt. The Port Authority experienced larger expenses as project activity increased in the first full year of operations.

Capital Assets

The Port Authority recognized construction in progress of \$6,278,683 at December 31, 2008. For more information on the Port Authority's capital assets see note 5.

Debt

The Port Authority issued a \$10 million project improvement bond during 2008. For more information on the Port Authority's capital assets see note 7.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Warren County Port Authority and to show the Port Authority's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Warren County Port Authority, 406 Justice Drive, Lebanon, Ohio 45036 or by calling (513) 695-2090.

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 87,549
Restricted Cash and Cash Equivalents	2,656,322
Accrued Interest Receivable	28,840
TOTAL CURRENT ASSETS	2,772,711

NON CURRENT ASSETS:

Deferred Charges	370,354
Construction in Progress	6,278,683
TOTAL CURRENT ASSETS	6,649,037

TOTAL ASSETS	9,421,748
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	8,149
Accrued Interest Payable	60,381
TOTAL CURRENT LIABILITIES:	68,530

LONG TERM LIABILITIES:

Public Improvement Bonds	10,000,000
TOTAL LONG TERM LIABILITIES:	10,000,000

TOTAL LIABILITIES	10,068,530
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NET ASSETS:

Unrestricted Net Assets	\$ (646,782)
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See accompanying notes to the financial statements

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008**

OPERATING REVENUES:

Administrative Fees	\$ 58,710
Local Government Receipts	<u>56,000</u>
Total Operating Revenues	<u>114,710</u>

OPERATING EXPENSES:

Insurance	2,498
Legal Fees	60,162
Accounting	1,350
Other General Administration	2,605
Intergovernmental	<u>31,000</u>
Total Operating Expenses	<u>97,615</u>
Operating Income	<u>17,095</u>

NONOPERATING REVENUES (EXPENSES):

Interest Revenue	75,558
Local Contributions - nonoperating	220,500
Planning Studies	(119,004)
Scholarships	(101,500)
Interest Expense	<u>(799,544)</u>
Total Nonoperating Revenues (Expenses)	<u>(723,990)</u>

CHANGE IN NET ASSETS

	(706,895)
Net Assets Beginning of Year	<u>60,113</u>
Net Assets End of Year	<u><u>\$ (646,782)</u></u>

See accompanying notes to the financial statements

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Cash flows from operating activities:	
Cash received from customers	\$ 58,710
Cash received from local governments for operations	56,000
Cash payments to supplier for goods and services	<u>(93,761)</u>
Net cash provided by operating activities	<u>20,949</u>
Cash flows from noncapital financing activities:	
Local Contributions	220,500
Cash payments for planning studies	(119,004)
Cash payments for scholarships	<u>(101,500)</u>
Net cash used for noncapital financing activities	<u>(4)</u>
Cash Flows from Capital and Related Financing Activities:	
Face Value from the Sale of Project Improvement Notes	6,358,000
Face Value from the Sale of Project Improvement Bonds	10,000,000
Acquisition and Construction of Capital Assets	(6,278,683)
Principal Paid on Project Improvement Notes	(6,358,000)
Payment for the cost of issuance	(373,950)
Interest Paid on All Debt	<u>(735,567)</u>
Net cash provided by capital and related financing activities	<u>2,611,800</u>
Cash flows from investing activities:	
Change in Fair Value of Investments	1,842
Interest received	<u>44,876</u>
Net cash provided by investing activities	<u>46,718</u>
Net Increase in Cash and Cash Equivalents	2,679,463
Cash and cash equivalents at beginning of year	64,408
Cash and cash equivalents at end of year	<u>\$ 2,743,871</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	17,095
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase in Accounts Payable	<u>3,854</u>
Net cash used for operating activities	<u>\$ 20,949</u>

See accompanying notes to the financial statements

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

1. DESCRIPTION OF THE REPORTING ENTITY

The Warren County Port Authority (the "Port Authority") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority was established in February 2007 pursuant to section 4582.22 of the Ohio Revised Code by resolution of Warren County. The seven voting member Board of Directors directs the Port Authority.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements of Warren County Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Port Authority's accounting policies are described below.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all asset and all liabilities are included on the balance sheet. Equity (i.e., net assets) consists of retained earnings. The operating statement present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Data

Ohio Revised Code Section 4582.13 requires the Port Authority annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

D. Cash and Cash Equivalents

The Port Authority maintains a cash management program whereby cash is deposited with a banking institution in Warren County. The agreements restrict activity to certain deposits. These deposits are stated at cost which approximates market value. Investment procedures are restricted by the provisions of the Ohio Revised Code.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less and funds within the cash management pool are considered to be cash equivalents. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts, such as certificates of deposit, are reported at cost. During fiscal year 2008, investments were limited to U.S. Governmental agency notes.

Interest revenue credited to the general fund during 2008 amounted to \$31,036, which includes \$0, assigned from other funds. Interest was also credited to the VH Monroe capital projects fund in the amount of \$44,522.

E. Capital Assets

Capital assets generally result from expenses related to construction projects. These assets are reported on the statement of net assets. All capital assets are reported at cost (or estimated historical cost) and updated for additions and deletions during the year. The Port Authority capitalizes improvements related to construction projects as construction in progress. The Port Authority has no capital asset policy and has no other reported capital assets.

F. Intergovernmental Receivable

Receivables on the Port Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable systematic method of determining their existence, completeness, valuation and collectibility. The Port Authority did not have receivables at December 31, 2008.

G. Organizational Costs

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Long term debt and other related financing amounts are reported as a liability or deferred assets on the statement of net assets.

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 Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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 \$1,385,256 and the bank balance was \$1,387,256. \$337,256 of the Port Authority's deposits was insured by federal depository insurance. As of December 31, 2008, \$1,050,000 of the Port Authority's bank balance of \$1,387,256 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Port Authority's name.

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

3. DEPOSITS AND INVESTMENTS (continued)

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

Investments

As of December 31, 2008, the Port Authority had the following investments.

<u>Categorized Investments</u>	<u>Less than One Year</u>	<u>Credit Rating</u>
Federal Home Loan Bank Notes	\$981,842	S& P – AAA
Money Market Mutual Funds	376,773	S& P – AAAM
Total	<u>\$1,358,615</u>	

Interest Rate Risk - The Port Authority has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Port Authority, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk - The Port Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port Authority has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk - The Port Authority places no limit on the amount it may invest in any one issuer. The Port Authority's has a 72.27% interest in Federal Home Loan Bank Notes and 27.73% interest in First American Government Obligation Money Market Mutual fund. These are the only investments of the Port Authority greater than five percent

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

4. RECEIVABLES

Receivables at December 31, 2008, consisted of interest on investments.

5. CAPITAL ASSETS

A summary of the changes in capital assets during the year ended December 31, 2008, follows:

	Balance 12/31/2007	Increases	Decreases	Balance 12/31/2008
Capital Assets, not being depreciated				
Construction in Progress	\$0	\$6,278,683	\$0	\$6,278,683
Total Capital Assets	\$0	\$6,278,683	\$0	\$6,278,683

6. RISK MANAGEMENT

The Port Authority is covered by public official liability insurance with Darwin Select Insurance Company. Coverage with a private carrier provides bonding, liability insurance on the \$1,000,000 maximum per claim and in aggregate. There is no general liability coverage as the Port Authority does not maintain a separate place of business or have employees to insure.

7. LONG TERM OBLIGATIONS

A summary of the changes in long-term obligations during the year ended December 31, 2008 follows:

	Balance 12/31/2007	Increase	Decrease	Balance 12/31/2008	Due within one year
Project Improvement Bonds	\$0	\$10,000,000	\$0	\$10,000,000	\$0

The project improvement bond was issued at an interest rate between 7.00 and 7.50 percent on September 24, 2008. The debt was issued for the purpose of constructing street improvements, utilities and a storm water control system in a commercial development.

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

7. LONG TERM OBLIGATIONS (Continued)

Years	Project Improvement Bonds		
	Principal	Interest	Total
2009	\$0	\$724,575	\$724,575
2010	0	724,575	724,575
2011	0	724,575	724,575
2012	0	724,575	724,575
2013	0	724,575	724,575
2014-2018	320,000	3,622,875	3,942,875
2019-2023	1,990,000	3,251,525	5,241,525
2024-2028	2,775,000	2,452,125	5,227,125
2029-2033	3,940,000	1,294,125	5,234,125
2034	975,000	73,125	1,048,125
Totals	\$10,000,000	\$14,316,650	\$24,316,650

8. SHORT TERM OBLIGATION

A summary of the short-term note transaction for the year ended December 31, 2008, follows:

Fund Type	Balance 12/31/2007	Increase	Decrease	Balance 12/31/2008
Capital Improvement	\$0	\$6,358,000	\$6,358,000	\$0
Total	\$0	\$6,358,000	\$6,358,000	\$0

Short-term notes outstanding at year-end consisted of the following issues:

Issue	Principal Outstanding	Annualized Rate
<i>Capital Improvement</i> – VH Development	\$0	6.50

The project improvement note was issued on April 24, 2008. The debt was issued for the purpose of constructing street improvements, utilities and a storm water control system in a commercial development and was retired with the long term bond issue.

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

9. PROJECTS

VH Monroe Special Assessment Project

The Port Authority has worked with the City of Monroe and VH Monroe to partner with the parties to provide assistance to the project through a special assessment note and bond issuance that occurred in 2008. The VH Monroe project will provide for large commercial/industrial development on the western edge of Warren County in the City of Monroe. The VH Monroe project is located on the southeastern corner of State Route 63 and Interstate 75. The Port Authority's role was necessary to help move this project forward allowing the retention pond and some other public infrastructure to be completed by the developer. The project is located in a tax increment financing district and CRA area for the City of Monroe.

Performing Arts Facility Study

The Port Authority was approached by the County Commission and several other organizations about serving as the conduit for funds to complete a phase one study for a performing arts center in Warren County. The Port Authority facilitated the study and created a board of trustees to oversee the project. The Performing Arts Center Board has been working on bylaws and has applied to tax exempt status as a separate organization.

High Technology Incubator Study

The Port Authority received funding to finance a study to determine if Warren County would be a potential site for a high tech incubator. The funds were donated from various organizations to finance the study. After the study was completed, it was determined that Warren County presently would not support a high tech incubator.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FEBRUARY 6, 2007 TO DECEMBER 31, 2007
(UNAUDITED)

The discussion and analysis of the Warren County Port Authority (the "Port Authority") financial performance provides an overall review of the financial activities for the year ended December 31, 2007. 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 2007 are as follows:

- 2007 marked Port Authority's first year of operations and only a partial year as the legislation was passed by the County Commission in February 2007.
- The ending cash balance was \$64,408.
- Operating expenses were \$9,820, which was 14 percent of the operating revenues.
- The Port Authority prepared to issue bond anticipations note in early 2008 for the first project, VH Monroe Capital Projects.

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.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FEBRUARY 6, 2007 TO DECEMBER 31, 2007
(UNAUDITED)

Statement of Net Assets

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

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

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

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

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

Table 1 provides a summary of the Port Authority's net assets for 2007.

Table 1	
Net Assets	
	<u>2007</u>
Assets:	
Current and other assets	<u>\$64,408</u>
Total Assets	<u>64,408</u>
Liabilities:	
Current liabilities	<u>4,295</u>
Total Liabilities	<u>4,295</u>
Net Assets:	
Unrestricted	<u>60,113</u>
Total Net Assets	<u>\$60,113</u>

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FEBRUARY 6, 2007 TO DECEMBER 31, 2007
(UNAUDITED)

For 2007, the Port Authority received operating revenues from the County Commission for operating purposes and received administrative fees in connection with a joint agreement with the Butler County Port Authority's YMCA financing and the VH Monroe capital improvement project.

Table 2 shows the changes in net assets for the year 2007.

	2007
Operating Revenues:	
Local contributions	\$25,000
Administrative Fees	44,882
Total Revenues	69,882
Operating Expenses:	
Legal fees	6,459
Accounting service	617
Administration	227
Insurance	2,499
Total Expenses	9,802
Operating Income	60,080
Nonoperating Revenues:	
Interest	33
Total Nonoperating Revenues	33
Increase in Net Assets	60,113
Net Assets, Beginning of Year	0
Net Assets, End of Year	\$60,113

The Port Authority saw administrative fee activity during 2007 related to two different projects as described above. The Port Authority received \$19,882 in connection with the YMCA conduit financing from the Butler County Port Authority as the actual construction project occurred in Warren County but involved refinancing of Butler County debt. The Port Authority's largest expense related to legal fees as it was necessary to spend additional dollars for the organizational setup and creation of by-laws, policies and procedures.

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FEBRUARY 6, 2007 TO DECEMBER 31, 2007
(UNAUDITED)**

Capital Assets

The Port Authority had no capital assets at December 31, 2007.

Debt

The Port Authority had no debt at December 31, 2007.

Contacting the Port Authority

This financial report is designed to provide a general overview of the finances of the Warren County Port Authority and to show the Port Authority's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Warren County Port Authority, 406 Justice Drive, Lebanon, Ohio 45036 or by calling (513) 695-2090.

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents \$ 64,408

TOTAL ASSETS 64,408

LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable 4,295

TOTAL LIABILITIES 4,295

NET ASSETS:

Unrestricted Net Assets \$ 60,113

See accompanying notes to the financial statements

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE PERIOD FEBRUARY 6, 2007 TO DECEMBER 31, 2007**

OPERATING REVENUES:

Administrative Fees	\$	44,882
Local Government Receipts		<u>25,000</u>
Total Operating Revenues		<u>69,882</u>

OPERATING EXPENSES:

Operating Expenses		
Insurance		2,499
Legal Fees		6,459
Accounting		617
Other General Administration		<u>227</u>
Total Operating Expenses		<u>9,802</u>
Operating Income		<u>60,080</u>

NONOPERATING REVENUES:

Interest		<u>33</u>
Total Nonoperating Revenues (Expense)		<u>33</u>

CHANGE IN NET ASSETS

		60,113
Net Assets Beginning of Year		-
Net Assets End of Year		<u><u>\$ 60,113</u></u>

See accompanying notes to the financial statements

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE PERIOD FEBRUARY 6, 2007 TO DECEMBER 31, 2007**

Cash flows from operating activities:	
Cash received from customers	\$ 44,882
Cash received from local governments for operations	25,000
Cash payments to supplier for goods and services	<u>(5,507)</u>
Net cash provided by operating activities	<u>64,375</u>
 Cash flows from investing activities:	
Interest received	<u>33</u>
Net cash provided by investing activities	<u>33</u>
 Net Increase in Cash and Cash Equivalents	 64,408
 Cash and cash equivalents at beginning of year	 <u>-</u>
Cash and cash equivalents at end of year	<u>\$ 64,408</u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating Income	60,080
Adjustments to reconcile operating loss to net cash used for operating activities	
Increase in Accounts Payable	<u>4,295</u>
Net cash used for operating activities	<u>\$ 64,375</u>

See accompanying notes to the financial statements

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WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 6, 2007 TO DECEMBER 31, 2007

1. DESCRIPTION OF THE REPORTING ENTITY

The Warren County Port Authority (the "Port Authority") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority was established in February 2007 pursuant to section 4582.22 of the Ohio Revised Code by resolution of Warren County. The seven voting member Board of Directors directs the Port Authority.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements of Warren County Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Port Authority's accounting policies are described below.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 6, 2007 TO DECEMBER 31, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all asset and all liabilities are included on the balance sheet. Equity (i.e., net assets) consists of retained earnings. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Data

Ohio Revised Code Section 4582.13 requires the Port Authority annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

D. Cash and Cash Equivalents

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

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 6, 2007 TO DECEMBER 31, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Intergovernmental Receivable

Receivables on the Port Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable systematic method of determining their existence, completeness, valuation and collectibility. The Port Authority did not have receivables at December 31, 2007.

F. Organizational Costs

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

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

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

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 Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 6, 2007 TO DECEMBER 31, 2007

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 \$64,408 and the bank balance was \$64,408. The entire bank balance was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, none 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, 2007, the Port Authority had no investments.

Interest Rate Risk - The Port Authority has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Port Authority, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk - The Port Authority has no investment policy that would further limit its investment choices.

WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 6, 2007 TO DECEMBER 31, 2007

3. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port Authority has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk - The Port Authority places no limit on the amount it may invest in any one issuer.

4. CAPITAL ASSETS

As of December 31, 2007, the Port Authority had no capital assets.

5. RISK MANAGEMENT

The Port Authority is covered by public official liability insurance with USI Insurance Company. Coverage with a private carrier provides bonding, liability insurance on the \$1,000,000 maximum per claim and in aggregate. There is no general liability coverage as the Port Authority does not maintain a separate place of business or have employees to insure.

6. PROJECTS

VH Monroe Special Assessment Project

The Port Authority has worked with the City of Monroe and VH Monroe to partner with the parties to provide assistance to the project through a special assessment note issuance that occurred in 2008 (see subsequent event note). The VH Monroe project will provide for larger commercial/industrial development on the western edge of Warren County in the City of Monroe. The VH Monroe project is located on the southeastern corner of State Route 63 and Interstate 75. The Port Authority's role was necessary to help move this project forward allowing the retention pond and some other public infrastructure to be completed by the developer. The project is located in a tax increment financing district and CRA area for the City of Monroe.

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FEBRUARY 6, 2007 TO DECEMBER 31, 2007**

7. SUBSEQUENT EVENTS

The Port Authority issued \$6,635,000 in bond anticipation notes on March 12, 2008 at a 6.50 percent rate. The notes were issued for one year and are expected to be bonded when they mature. The bonds will be repaid through a special assessment by the developer, VH Monroe LLC.



Mary Taylor, CPA

Auditor of State

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

Warren County Port Authority
Warren County
406 Justice Drive
Lebanon, Ohio 45036

To the Board of Directors:

We have audited the basic financial statements of the Warren County Port Authority, Warren County, Ohio (the Authority), as of and for the years ended December 31, 2009, December 31, 2008 and the period February 6, 2007 to December 31, 2007 as listed in the Table of Contents, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Authority 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 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated June 4, 2010.

We intend this report solely for the information and use of finance/audit committee, management, and Board of Directors. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

June 4, 2010

**WARREN COUNTY PORT AUTHORITY
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Revised Code, § 4582.13, states that the board of a port authority created in accordance with Section 4582.02 of the Revised Code shall annually prepare a budget.

Additionally, Ohio Revised Code, § 5705.28(B)(2)(b), states that although a taxing unit that does not levy a tax is not a taxing unit for purposes for Ohio Revised Code, Chapter 5705, a Port Authority is still required on or before the fifteenth day of July each year, to 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. Additionally, the Port Authority is required to follow these Ohio Revised 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 did not adopt an operating budget for 2008 or 2009, nor did it establish appropriations or estimated receipts. We recommend that the Port Authority prepare the documents required by Ohio Revised Code, § 4582.02 and, when appropriate, that the Board regularly review appropriations and estimated receipts and make modifications as needed.

We did not receive a response from officials regarding the finding reported above.



Mary Taylor, CPA
Auditor of State

WARREN COUNTY PORT AUTHORITY

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 10, 2010**