



Certified Public Accountants, A.C.

**BUTLER COUNTY PORT AUTHORITY
BULTER COUNTY
Regular Audit
For the Year Ended December 31, 2018**

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OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Butler County Port Authority, Butler County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Butler County Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 11, 2019

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**BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY**

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INDEPENDENT AUDITOR'S REPORT

May 10, 2019

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

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the **Butler County Port Authority**, Butler County, Ohio (the Port Authority), a component unit of Butler County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Port Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Port Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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Auditor's Responsibility (Continued)

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Butler County Port Authority, Butler County, Ohio as of December 31, 2018, and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2019, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Butler County Port Authority
Butler County, Ohio
Management's Discussion and Analysis
December 31, 2018
(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, 2018. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The Port Authority generated \$278,512 in charges for services during the year.
- The Port Authority's cash balance increased \$243,748 during 2018 to \$530,664 at December 31, 2018.
- The Port Authority's net position increased \$242,111 during 2018.

Using this Financial Report

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

Butler County Port Authority
 Butler County, Ohio
 Management's Discussion and Analysis
 December 31, 2018
 (Unaudited)

Statement of Net Position

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

Table 1 provides a summary of the Port Authority's net position for 2018 and 2017.

Table 1 - Net Position

	2018	2017
Assets		
Current and Other Assets	\$ 560,282	\$ 317,036
Long-Term Assets	122,788,384	117,633,522
Total Assets	123,348,666	117,950,558
Liabilities		
Current Liabilities	1,135	-
Long-Term Liabilities	122,788,384	117,633,522
Total Liabilities	122,789,519	117,633,522
Net Position		
Unrestricted	559,147	317,036
Total Net Position	\$ 559,147	\$ 317,036

The Port Authority's current assets increased from 2017 to 2018 mainly as a result of increased cash balances which were the result of charges for services that were collected and earned in 2018. Current liabilities increased at December 31, 2018 compared to December 31, 2017 as a result of accounts payable increasing as the Port Authority paid for certain 2018 services in calendar year 2019.

Long-term assets and long-term liabilities increased from 2017 to 2018 as a result of conduit debt activity. See Note 5 to the financial statements for more information on conduit debt.

Butler County Port Authority
Butler County, Ohio
Management's Discussion and Analysis
December 31, 2018
(Unaudited)

Table 2 - Changes in Net Position

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for Services	\$ 278,512	\$ 427,903
Total Operating Revenues	<u>278,512</u>	<u>427,903</u>
Operating Expenses		
Purchased Services	32,300	44,391
Contractual Services	44,302	157,815
Total Operating Expenses	<u>76,602</u>	<u>202,206</u>
Operating Income	<u>201,910</u>	<u>225,697</u>
Nonoperating Revenues		
Intergovernmental	40,000	-
Interest Revenue	201	121
Total Nonoperating Revenue	<u>40,201</u>	<u>121</u>
Change in Net Position	242,111	225,818
Net Position Beginning of Year	<u>317,036</u>	<u>91,218</u>
Net Position, End of Year	<u>\$ 559,147</u>	<u>\$ 317,036</u>

During 2018, the Port Authority realized decreased charges for services and operating expenses compared to 2017 as the Port Authority continued to be involved with various potentially advancing projects within Butler County, but at a slower pace than was the case in 2017.

Butler County Port Authority
Butler County, Ohio
Management's Discussion and Analysis
December 31, 2018
(Unaudited)

Capital Assets

The Port Authority reported no capital assets at December 31, 2018.

Debt

The Port Authority reported no debt at December 31, 2018.

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.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY
Statement of Net Position
December 31, 2018

Assets

Current Assets	
Cash and Cash Equivalents	\$ 530,664
Accounts Receivable	<u>29,618</u>
Total Current Assets	<u>560,282</u>
Long-Term Assets	
Receivable from Conduit Debt Recipients	<u>122,788,384</u>
<i>Total Assets</i>	<u>123,348,666</u>

Liabilities

Current Liabilities	
Accounts Payable	<u>1,135</u>
Long-Term Liabilities	
Payable to Conduit Debt Financial Institution Trustees	<u>122,788,384</u>
Current Portion of Long-term Debt	
<i>Total Liabilities</i>	<u>122,789,519</u>
Net Position	
Unrestricted	<u>559,147</u>
<i>Total Net Position</i>	<u>\$ 559,147</u>

See accompanying notes to the basic financial statements.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2018

Operating Revenues

Charges for Services	\$ 278,512
<i>Total Operating Revenues</i>	278,512

Operating Expenses

Purchased Services	32,300
Contractual Services	44,302
<i>Total Operating Expenses</i>	76,602
<i>Operating Income</i>	201,910

Non-Operating Revenues

Intergovernmental	40,000
Interest Revenue	201
<i>Total Non-Operating Revenues</i>	40,201
<i>Change in Net Position</i>	242,111
<i>Net Position, Beginning of Year</i>	317,036
<i>Net Position, End of Year</i>	\$ 559,147

See accompanying notes to the basic financial statements.

BUTLER COUNTY PORT AUTHORITY
BUTLER COUNTY
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 279,014
Cash Payments for Goods and Services	(75,467)
	203,547
<i>Net Cash Provided (Used) by Operating Activities</i>	203,547
Cash Flows from Non-Capital Financing Activities:	
Cash Received from Other Governments	40,000
	40,000
<i>Net Cash Provided (Used) by Non-Capital Financing Activities</i>	40,000
Cash Flows from Investing Activities:	
Interest Received	201
	201
<i>Net Cash Provided (Used) by Investing Activities</i>	201
<i>Net Increase in Cash and Cash Equivalents</i>	243,748
<i>Cash and Cash Equivalents at Beginning of Year</i>	286,916
<i>Cash and Cash Equivalents at End of Year</i>	\$ 530,664
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
<i>Operating Income</i>	\$ 201,910
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) Decrease in Assets:	
Accounts Receivable	502
Increase (Decrease) in Liabilities:	
(Decrease) Increase in Accounts Payable	1,135
	1,135
<i>Net Cash Provided by Operating Activities</i>	\$ 203,547

See accompanying notes to the basic financial statements.

Butler County Port Authority
Butler County, Ohio
Notes to the Basic Financial Statements
December 31, 2018

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.

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

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

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

C. 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) requires 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, 2018

Ohio Revised Code Section 5705(B)(2)(b) requires the Port Authority to 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.

D. Cash and Cash Equivalents

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

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

E. Operating and Non-Operating Revenues and Expenses

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

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

F. Accrued Liabilities

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

G. Net Position

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

H. 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. These companies 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. The Port Authority has recognized both a *Receivable from Conduit Debt Recipients* and a *Payable to Conduit Debt Financial Institution Trustees* for the approximate, aggregate amount of principal outstanding on conduit debt at year end. See Note 5 for more information on conduit debt outstanding.

I. Estimates

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

3. DEPOSITS AND INVESTMENTS

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

Deposits

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

The Port Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

- Eligible securities pledged to the Port Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

Butler County Port Authority
Butler County, Ohio
Notes to the Basic Financial Statements
December 31, 2018

- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

4. RISK MANAGEMENT

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

5. CONDUIT DEBT

The Port Authority has issued various debt obligations on behalf of other entities that constitute conduit debt. While the Port Authority has no obligation for the conduit debt, the aggregate amount of conduit debt outstanding at year end has been recognized as a Payable to Conduit Debt Financial Institution Trustees in the Port Authority's Statement of Net Position in addition to an offsetting Receivable from Conduit Debt Recipients.

Conduit debt outstanding at December 31, 2018 consisted of the following:

Greater Miami Valley YMCA	\$ 13,895,100
Liberty Center Project Series A	9,700,000
Liberty Center Project Series B	5,870,000
Liberty Center Project Series C	19,390,000
Colonial Senior Services, Inc.	5,840,000
Mother Teresa Catholic Elementary School	3,130,571
NorthPoint Seward	22,660,375
StoryPoint	42,140,000
NorthPoint Rinck	162,338
	<u>\$ 122,788,384</u>

The Greater Miami Valley YMCA conduit debt was issued 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.

The Liberty Center Project Series A, B and C conduit debt was issued for the purpose of acquiring and constructing certain public infrastructure improvements in relation to the Liberty Center Project.

The Colonial Senior Services, Inc. conduit debt was issued for the purpose of constructing a new rehabilitation facility in the City of Hamilton.

Butler County Port Authority
Butler County, Ohio
Notes to the Basic Financial Statements
December 31, 2018

The Mother Teresa Catholic Elementary School conduit debt was issued for the purpose of expanding the Mother Teresa Catholic Elementary School in Liberty Township.

The NorthPoint Seward conduit debt was issued for the purpose of constructing two new modern distribution buildings in the City of Fairfield.

The StoryPoint conduit debt was issued for the purpose of constructing a new assisted living complex in Fairfield Township.

The NorthPoint Rinck conduit debt was issued for the purpose of constructing two new modern distribution buildings in West Chester Township.

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

May 10, 2019

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

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the **Butler County Port Authority**, Butler County, (the Port Authority), a component unit of Butler County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated May 10, 2019.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Port Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Port Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Port Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Port Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

OHIO AUDITOR OF STATE KEITH FABER



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 25, 2019**