



Mary Taylor, CPA
Auditor of State

**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Southeastern Ohio Port Authority
Washington County
710 Colegate Drive
Marietta, Ohio 45750

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Port 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Southeastern Ohio Port Authority, Washington County, as of December 31, 2009, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2010, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Port Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

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

August 31, 2010

**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

Assets

Equity in Pooled Cash and Cash Equivalents	\$ 71,003
Intergovernmental Receivable	17,212
Loan Receivable	35,441
Capital Assets, Net of Depreciation	1,087
Prepaid Insurance	1,348
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Total Assets 126,091

Liabilities

Current Liabilities:

Notes Payable	7,289
Accounts Payable	22,148
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Total Current Liabilities

29,437

Net Assets

Invested in Capital Assets	1,087
Unrestricted	95,567
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Total Net Assets

\$ 96,654

See accompanying notes to the basic financial statements

**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Operating Revenues

Donations	\$	92,057
Miscellaneous		90,500
		182,557
<i>Total Operating Revenues</i>		182,557

Operating Expenses

Salaries and Benefits		139,140
Contractual Services		123,030
Professional Fees		7,393
Materials and Supplies		6,328
Travel and Memberships		9,685
Marketing		7,155
Rent		2,700
Insurance and Bonding		2,681
Depreciation Expense		1,680
Other		146,151
		445,943
<i>Total Operating Expenses</i>		445,943

<i>Operating Gain (Loss)</i>		(263,386)
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Non-Operating Revenue/(Expense):

Operating Grants		62,842
Proceeds from the Sale of Property		50,000
Interest Income		758
Interest and Fiscal Charges		(1,726)
		(1,726)

<i>Change in Net Assets</i>		(151,512)
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<i>Net Assets Beginning of Year</i>		248,166
		248,166

<i>Net Assets End of Year</i>	\$	96,654
		96,654

See accompanying notes to the basic financial statements

**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Donors	\$ 92,057
Cash Payments for Employee Services and Benefits	(139,140)
Cash Payments for Goods and Services	(378,914)
Other Operating Revenues	55,059
	<hr/>

Net Cash Used for Operating Activities (370,938)

Cash Flows from Noncapital Financing Activities

Grants Available for Operating Purposes	287,548
	<hr/>

Net Cash Provided by Noncapital Financing Activities 287,548

Cash Flows from Capital and Related Financing Activities

Proceeds of Line of Credit	66,827
Proceeds from the Sale of Property	50,000
Principal Paid on Debt	(101,827)
Interest and Fiscal Charges Paid on Debt	(1,726)
	<hr/>

Net Cash Provided by Capital and Related Financing Activities 13,274

Cash Flows from Investing Activities

Interest Earned from Bank Accounts	758
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Net Cash Provided by Investing Activities 758

Net Increase in Cash and Cash Equivalents (69,358)

Cash and Cash Equivalents Beginning of Year 140,361

Cash and Cash Equivalents End of Year \$ 71,003

**Reconciliation of Operating Income to Net Cash
Used for Operating Activities**

Operating Income (Loss)	\$ (263,386)
Depreciation	1,680

Changes in Assets and Liabilities:

Increase in Loan Receivable	(35,441)
Increase in Prepaid Insurance	(187)
Decrease in Accounts Payable	(73,604)
	<hr/>

Net Cash Used for Operating Activities \$ (370,938)

See accompanying notes to the basic financial statements

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**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 - REPORTING ENTITY

The Southeastern Ohio Port Authority, Washington County (the Port Authority), was created during 2003 by the Washington County Commissioners pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code, for the purpose of promoting the manufacturing, commerce, distribution and research and development interests of Southeastern Ohio, including rendering financial and other assistance to such enterprises situated in the region and to induce the location in Southeastern Ohio of other manufacturing, commerce, distribution and research entities; to purchase, subdivide, sell and lease real property in Southeastern Ohio and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio.

The Port Authority Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Washington County Commissioners. As such, it is considered a discretely presented component unit of Washington County. Currently, 11 Directors serve on the Board.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (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 business-type activities provided they do not conflict with or contradict GASB pronouncements. The Port Authority has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities.

A. Basis of Presentation

The Port Authority's financial statements consist of government-wide statements, including the statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows.

B. Measurement Focus

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the Statement of Net Assets.

The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the Port Authority finances and meets the cash flow needs of its business-type activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Revenues - Exchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Expenses: On the accrual basis of accounting, expenses are recognized at the time they are incurred.

D. Budgetary Process

The Ohio Revised Code requires that the Port Authority Board of Directors prepare an annual budget.

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level, and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments.

Estimated Resources: Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

Encumbrances: The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

E. Cash

All cash assets are maintained in non-interest bearing and interest-bearing checking, savings and money market accounts.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

G. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. All reported capital assets are depreciated. Depreciation is computed using the straight-line method over five years of useful lives for equipment and furniture.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accrued Liabilities and Long-Term Obligations

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

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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, or laws or regulations of other governments. The Port Authority did not have any restricted net assets.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Miscellaneous expenses consisted of expenses associated with the EPA Brownfield Grant. Revenues and expenses not meeting these definitions are reported as non-operating.

K. Estimates

The preparation of the 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.

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority into three categories.

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.

Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Protection of the Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-loan money market mutual funds;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the Port Authority has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity.

Investment may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: The Port Authority has no deposit policy for custodial risk beyond the requirements of State statute.

**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

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.

NOTE 4 – RECEIVABLES

Receivables at December 31, 2009, consisted of intergovernmental and loans receivable. All receivables are considered collectible in full.

A. Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables arising from grants awarded to the Port Authority follows:

	Amount
ODOD Business Park Grant	\$17,212

B. Loan Receivable

During September 2009, the Washington County Commissioners voted to allow the Port Authority to retain the \$42,289 (debt owed to the County Commissioners as of December 31, 2008) to establish a Revolving Loan Fund (RLF) to assist businesses in the area. The loans are issued from the RLF based upon approval by the Washington County Commissioners. The Farar Scientific \$35,000 loan was made from the Revolving Loan Fund. The balance of the Revolving Loan Fund of \$7,289 remains on deposit with the Port Authority subject to a loan request. There is no scheduled monthly payment for the loan. The Farar loan is due in full at the end of a six month period plus 5 percent interest.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance December 31, 2008	Additions	Balance December 31, 2009	Accumulated Depreciation	Net Capital Assets
<u>Business-Type Activities</u>					
Depreciable Capital Assets:					
Equipment and Furniture	\$ 6,489	0	\$ 6,489	\$ (5,402)	\$ 1,087

NOTE 6 – RISK MANAGEMENT

The Port Authority carries a Commercial General Liability Insurance Policy with limits of \$1 million each occurrence, \$100,000 damage to rented premises each occurrence, \$5,000 med pay any one person, \$1 million personal and advanced injury with a general aggregate of \$2 million.

The Port Authority maintains a Non-Profit Organization and Management Liability Insurance Policy – Carrier’s Duty to Defend Policy with \$500,000 aggregate coverage to cover Board Officers and Directors.

In addition, the Port Authority carries a Public Official Bond for the Secretary/Treasurer in the amount of \$25,000.

**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description – The Port Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll.

The Port Authority's contribution rate for 2009 was 14 percent of covered payroll. The portion of employer contributions allocated to health care was 7 percent from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Port Authority of 14 percent for 2009.

The Port Authority's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009 and 2008 were \$19,174 and \$20,062, respectively; 100 percent has been contributed for 2009 and 2008.

NOTE 8 – POSTEMPLOYMENT BENEFITS

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part b premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7 percent of covered payroll from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009.

The Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Port Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009 and 2008 were \$6,227 and \$10,031, respectively; 100 percent has been contributed for 2009 and 2008.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 9 - SHORT-TERM DEBT

On October 23, 2007 the Port Authority obtained a line of credit of \$500,000 with an interest rate of six percent to mature on October 23, 2008. The Port Authority was awarded a \$500,000 reimbursement type grant and obtained the line of credit in order to have cash available for the grant expenditures. On October 9, 2008, the Port Authority requested a six-month extension on the line of credit which was approved by the bank. On February 16, 2009, the Port Authority requested \$66,827 as their last draw on the line of credit. At December 31, 2009, the Port Authority had a zero balance on the line of credit.

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Mary Taylor, CPA

Auditor of State

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

Southeastern Ohio Port Authority
Washington County
710 Colegate Drive
Marietta, Ohio 45750

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated August 31, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port 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 Port Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Port 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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-002 to be a significant deficiency. 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.

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, 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 Port Authority's management in a separate letter dated August 31, 2010.

The Port Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Port Authority's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use management, the finance committee, the Board of Directors and others within the Port Authority. 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

August 31, 2010

**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009**

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Appropriations were greater than actual resources at December 31, 2009, in the following fund:

<u>Fund</u>	<u>Actual Resources</u>	<u>Appropriation Authority</u>	<u>Variance</u>
Enterprise	\$ 536,111	\$ 576,590	\$ (40,479)

This could cause the Port Authority to spend more money than is available to spend.

We recommend the Port Authority monitor estimated and actual revenues on a regular basis. In the situation where appropriations exceed actual resources, the Port Authority should adjust appropriations accordingly.

Officials' Response: The Southeastern Ohio Port Authority Executive Committee will hold a budget review meeting in December of each year to review appropriations, income and expenses and make any adjustments to the annual budget appropriations for final Board approval.

FINDING NUMBER 2009-002

Significant Deficiency

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2009, appropriations as approved by the Board of Directors did not agree to the Port Authority's ledgers. The variance was as follows:

<u>Budget Account</u>	<u>Amounts Per Board of Directors</u>	<u>Amounts Per Port Authority's Reports</u>	<u>Variance</u>
Appropriations	\$ 576,590	\$ 626,590	\$ (50,000)

Appropriation account classifications per the budget did not agree to the expense account classifications in the General Ledger. This made it difficult to compare amounts posted to the appropriation account classifications per the budget to amounts posted to the expenditure account classifications posted to the General Ledger.

**SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002 (Continued)

Significant Deficiency (Continued)

We recommend the Executive Assistant accurately post appropriations as approved by the Board of Directors into the computer system after approval by the Board of Directors. This procedure will help ensure more useful comparisons of budget versus actual activity. We further recommend the Executive Assistant maintain consistency between the appropriation account classifications and the expense account classifications posted to the General Ledger in order to keep track of the appropriation balances in each expense account.

Officials' Response: The Southeastern Ohio Port Authority Executive Director and Executive Assistant worked with the Washington County Auditor to develop an accounting system which provides ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. The reconciled monthly bank statements from each active bank account are used to prepare a separate excel spreadsheet for each fund which tracks income, expenses and encumbrances. These financial reports are reviewed and approved by the Executive Committee and the Board of Directors each month. The Executive Assistant maintains a Budget Line Item Tracking report for the Executive Director's review. The \$50,000 difference in approved appropriations occurred from the handling of real estate sale for a local school district. The building was sold to a private individual. The \$50,000 was a pass through transaction with the Port Authority receiving a fee for service provided. The Executive Assistant was not aware that a new appropriation was needed for this pass through transaction. On October 22, 2009, Mike Jacoby presented Resolution 2009-003 to the Board for review. The Warren Local School Board sold the Bartlett School to John Church for \$50,000. The Port Authority was conduit for the sale and received a fee of \$3,000. The Board approved the resolution and the sale went forward. The Executive Director and Executive Assistant forgot to adjust budget appropriations to reflect the \$50,000 that passed through the Port Authority books.



Mary Taylor, CPA
Auditor of State

SOUTHEASTERN OHIO PORT AUTHORITY

WASHINGTON 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
SEPTEMBER 23, 2010**