COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2010

Dave Yost • Auditor of State

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Columbiana Port Authority
Columbiana County
1250 St. George Street
East Liverpool, Ohio 43920

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of Columbiana Port Authority, Columbiana County, Ohio (the Port Authority), as of and for the year ended December 31, 2010, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Columbiana Port Authority, Columbiana County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, the Port Authority increased its line of credit with two banks to help offset a cash flow problem. Note 10 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2011, 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.

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The Port Authority has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

We conducted our audit to opine on the financial statements that collectively comprise the Port Authority's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dave Yost

Dave Yost
Auditor of State

August 22, 2011

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

STATEMENT OF NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

Assets:	
Equity in pooled cash and cash equivalents	$502,296
Account Receivable:	
Trade	386,281
Miscellaneous	1,687
Grants	4,365,894
Allowance for Doubtful Accounts	(40,000)
Prepayments (Insurance, Subscriptions, Lease Expense)	171,044
Property, plant and equipment	35,970,661
Accumulated Depreciation	(7,142,746)
Workers' Compensation Deposit	10
Construction in progress	3,218,607
Total Assets	37,433,734
Liabilities:	
Accounts Payable	417,057
Options Payable	835,500
Accrued Real Estate Tax	39,877
Accrued Interest	4,693
Accrued wages and benefits	102,332
Long-Term Liabilities:	
Due within one year	4,654,913
Due within more than one year	5,869,442
Total Liabilities	11,923,814
Net Assets:	
Unrestricted	25,509,920
Total Net Assets	**$25,509,920**

The notes to the financial statements are an integral part of this statement.

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

Operating Revenues:	
Rent	$1,732,027
Grants	$83,335
Miscellaneous	224,023
Total Operating Cash Revenues	2,039,385
Operating Expenses:	
Advertising	2,047
Auto Expense	14,766
Bank Service Charges	98
Continuing Education	1,375
Contracted Labor	14,322
Depreciation Expense	1,050,745
Directors' Fees	38,400
Dues and Subscriptions	38,590
Employee Benefits	720
Franchise Fees	959
Insurance	219,467
Interest	225,684
Licenses Fees and Permits	391,699
Miscellaneous	1,992
Office & Postage Expense	6,965
Pension Plan	60,975
Professional Fees	124,465
Repairs and Maintenance	57,131
Rent	8,110
Salaries	410,406
Supplies	4,513
Taxes	6,744
Travel and Entertainment	34,895
Utilities	305,442
Total Operating Expenses	3,020,510
Operating Income/(Loss)	(981,125)
Non-Operating Revenues:	
Interest Income	29
Total Non-Operating Revenues	29
Change in Net Assets	(981,096)
Net Assets Beginning of Year	26,491,016
Net Assets End of Year	**$25,509,920**

The notes to the financial statements are an integral part of this statement.

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

Cash flows from operating activities:	
Net income / (loss)	($981,096)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation and Amortization	1,050,745
Decrease / (Increase) in operating assets:	
Accounts receivable	1,358,865
Other	(2,107,852)
Increase / (decrease) in operating liabilities:	
Accounts payable	(29,092)
Accrued liabilities	785,655
Total adjustments	1,058,321
Net cash provided by (used in) operating activities:	77,225
Cash flows from investing activities:	
Capital expenditures	(8,600)
Net cash provided by (used in) investing activities	(8,600)
Cash flows from financing activities:	
Notes payable borrowings	1,000,048
Notes payable repayments	(924,782)
Net cash provided by (used in) financing activities	75,266
Net increase (decrease) in cash and cash equivalents	143,891
Cash and cash equivalents at beginning of year	358,405
Cash and cash equivalents at end of year	**$502,296**

The notes to the financial statements are an integral part of this statement.

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1. DESCRIPTION OF THE REPORTING ENTITY

The Columbiana Port Authority, Columbiana County, 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 is governed by a Board of Directors. Members of the Board are appointed by the Columbiana County Commissioners. The Port Authority provides the following services which are defined by Chapter 4582 of the Ohio Revised Code and which services include but are not limited to the power to purchase, construct, re-construct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

Columbiana County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Columbiana County maintains its own accounting functions, is a separate reporting entity, and its financial activity is not included within the financial statements of the Port Authority.

The general office of the Port Authority is located within the City of East Liverpool. These entities maintain their own accounting functions, are separate reporting entities, and their financial activities are not included within the financial statements of the Port Authority.

The Port Authority is a self-sufficient enterprise, which does not receive funding from Columbiana County, the City of East Liverpool, or the East Liverpool City School District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements of 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.

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, pubic policy, management control, accountability or other purposes.

The Port Authority adopted the provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation. This statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This statement had no effect on net assets. The Port Authority also adopted the provisions of GASB Statement No. 47, Accounting for Termination Benefits. This statement provides guidance on how employers should account for benefits associated with voluntary or involuntary terminations. These statements had no effect on net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets 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 expenditures or 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. Accounts Receivable

Total accounts receivable for 2010 are $4,753,862. They include trade accounts receivable of $386,281 with doubtful accounts on these receivables totaling ($40,000) grants receivables of $4,365,894 and miscellaneous receivables of $1,687.

E. Capital Assets and Depreciation

Property, equipment and improvements are carried and are depreciated using the straight line method over the estimated lives as follows:

Years	
Machinery and Equipment	3-10
Furniture and Fixtures	3-10
Buildings	10-30
Land Improvements	10-30

F. Capitalization of Interest

The Port Authority's policy is to capitalize net interest on construction projects until substantial completion of the project. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2010, the Port Authority incurred no interest which was capitalized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Operating and non-operating revenues and expenses

Operating revenues are those revenues that are generated directly at the Port Authority's primary mission. For the Port Authority, operating revenues include railroad track use and trackage fees, property lease income, railroad maintenance fees and related market and document fees. 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. Interest income and expenses comprise the non-operating revenues and expenses of the Port Authority.

H. 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.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance eligible in the future to receive such payments.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority in 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 two 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, pass book 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.

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) and by eligible securities pledged by the financial institution as security for repayment, but surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies can be deposited or invested in the following:

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 principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and,

3. DEPOSITS AND INVESTMENTS - (Continued)

6. The State Treasurer's investment pool (STAROhio).

The Port Authority may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;

2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and

3. Obligations of the Port Authority.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

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

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, requires disclosures to help assess actual and potential future deposit and investment market and credit risks". The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

As of December 31, 2010, the carrying amount of the Port Authority's deposits totaled $501,796 and its bank balance was $559,748. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2010, 272,733 was exposed to custodial risk as discussed below, while $287,515 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Port Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

4. CAPITAL ASSETS

A summary of the property, plant and equipment purchased as of December 31, 2010, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$3,745,626			3,745,626
Construction in progress	1,132,475	2,086,131		3,218,606
Workers Compensation Deposit	10			10
	4,878,111	2,086,131		6,964,242
Capital assets being depreciated:				
Automobiles	48,919			48,919
Buildings	12,012,660			12,012,660
Equipment	22,201	8,600		30,801
Furniture & Fixtures	71,809			71,809
Land Improvements	14,096,068			14,096,068
Signage	12,169			12,169
Railroad	5,952,609			5,952,609
	32,216,435	8,600		32,225,035
Less Accumulated Depreciation on:				
Automobiles	(34,165)	(5,711)		(39,876)
Buildings	(2,719,041)	(353,492)		(3,072,533)
Equipment	(17,818)	(2,078)		(19,896)
Furniture & Fixtures	(69,935)	(989)		(70,924)
Land Improvements	(1,873,167)	(460,433)		(2,333,600)
Signage	(8,258)	(861)		(9,119)
Railroad	(1,369,617)	(227,181)		(1,596,798)
	(6,092,001)	(1,050,745)		(7,142,746)
Capital assets, net	$31,002,545	$1,043,986		$32,046,531

5. LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
General Line of Credit - 1st National Community Bank	$727,989	varies
		5.00%
Fiber Optic Line of Credit - Fifth Third Bank	1,894,751	5.82%
Rail Road Improvement - ORDC	$1,682,162	varies
Rail Road - National City Bank	610,023	7.95%
Crane Deming Industrial Plant - National City Bank	1,045,770	5.02%
Rural Industrial Loan - ODOD	785,000	varies
Adj. Rate Taxable Securities Series 2006	2,430,000	prime
Barret Mineral Purchase - Fifth Third Bank	1,348,660	3.50%
Total	$10,524,355	

The Port Authority has two lines of credit. The first line of credit with 1st National Community Bank is in the amount totaling $727,989. The second line of credit is with Fifth Third Bank in the amount totaling $1,894,751. The port authority increased the line of credit with 1st National Community Bank in the amount totaling $50,000 in 2010. Both lines of credit are paid monthly by the Port Authority. However, no payment schedule is available for these lines of credit. The only required payment each month is the interest accrued for that month. Both lines of credit are included within the Long-Term Liabilities – Due within one year on the Port Authority's Statement of Net Assets.

The terms of the National City Bank Railroad Loan were renewed in 2010 for the principal amount of $630,647.64. The new terms call for payments of $6,875 plus interest, with a balloon payment due at maturity. Payments began October 2010.

The Port Authority issued Adjustable Rate Taxable Securities Series 2006 in the Amount of $2,680,000 for the BTI Project. These bonds mature in 2027.

The Port obtained a fifteen year Rural Industrial Loan from the Ohio Department of Development in the amount of $785,000 on September 11, 2007. During years one through five of the loan, payment of principal is due only upon sale, lease or transfer of the project facilities. Beginning in year six of the loan, the principal and interest (4%) shall be paid in 120 monthly installments.

The Port obtained a 15-year note from National City Bank in the amount of $1,395,000 on January 5, 2006. Payments are to be made monthly in the amount of $11,046.11, which includes monthly at 5.02% interest.

The Ohio Rail Development Commission is a 2.1 million loan for improvement to the Youngstown & Southeastern Railroad. The first draw on the loan occurred in December 2003. The remaining balance was drawn as work was completed. Loan repayment is scheduled to begin February 1, 2007. However, in 2010 total principal payments should have been made in the amount totaling $433,408. The actual payments were $31,879. Due to the late payments on this loan, a late fee of $ 494,207 has accrued, with no payments being made against this late fee. Also, a material citation was issued as finding # 2010-001 for the debt covenant violation.

5. LONG-TERM OBLIGATIONS (Continued)

The Port Authority obtained a five year note from Fifth Third Bank in the amount totaling $1,480,000 on October 24, 2008 for the purchase of Barrett Minerals Plant and Real Property. Payments are to be made monthly for the first five years with a balloon payment due on or before October 24, 2013.

A summary of the annual repayments including principal, interest and fees is as follows:

Year Ending December 31	Amounts
2011	$ 4,735,234
2012	319,516
2013	421,300
2014	426,300
2015	431,300
2016-2020	2,782,329
2021-2025	1,003,567
2026-2030	490,000
Total	$ 10,609,546

6. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Port Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

6. DEFINED BENEFIT PENSION PLAN – (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2010 employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10%. The 2010 employer contribution rate for local government employer units was 14% of covered payroll, from January 1 through February 28, 2010 8.5% of annual covered salary was the portion used to fund pension obligation, and from March 1 through December 31, 2010 9% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the Port Authority are established and may be amended by the Public Employees Retirement Board. The Port Authority's contributions to the Ohio PERS for the years ending December 31, 2010, 2009, and 2008 were $61,135, $62,326, $59,433 respectively, which were equal to the required contributions for each year.

7. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 mandate, 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.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

7. POSTEMPLOYMENT BENEFITS (Continued)

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their 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 Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

8. RISK MANAGEMENT

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.

The Port Authority has obtained commercial insurance for the following risks:

-Comprehensive Property and general liability
-Errors and omissions
-General liability and casualty

Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Worker's compensation claims are covered through the Port Authority's participation in the state of Ohio's program. The Port Authority pays the State Worker's Compensation System a premium based upon a rate per $100 of payroll. The rate is determined based on accident history and administrative costs.

The Port Authority also provides health insurance, dental and vision coverage to full-time employees through the Columbiana County Employees Self-Insurance Fund.

9. ADVANCED RENT PAYABLE

Accounts payable consists of $160,356 from Quality Liquid Feed, on a 99 year lease, which commenced July 1, 2000.

10. CASH FLOW ISSUES

The Port Authority has taken steps to reduce its debt by selling some of its assets. The Port Authority Board has agreed to sell 10 acres in Wellsville to a mineral company already renting the site. The sale price of the land will be $ 2.07 million, which the Port Authority will use to help pay off the bank loan the port authority obtained to acquire the property and also retire other debt. The Port Authority also has agreed to lease four strands of fiber optic cable to DRS LLC. The contract is for $900,000, which the Port Authority will use to help pay off the loan. The Port Authority is also in discussion to sell the Youngstown & Southeastern Railroad. Prior to the above agreements, the Port Authority increased its line of credit to help offset cash flow problems.

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	**Pass Through Entity Number**	**Federal CFDA Number**	**Disbursements**
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Funding:			
Highway Planning and Construction - ARRA	DTMA1G09006	20.205	1,334,106
Total U.S. Department of Transportation			**1,334,106**
Total			**$1,334,106**

The accompanying notes are an integral part of this schedule.

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Columbiana Port Authority (the Port Authority's) federal award program disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain federal programs require that the Port Authority contribute non-federal funds (matching funds) to support the federally-funded programs. The Port Authority has complied with the matching requirements. The expenditures of non-federal matching funds is not included on the schedule.

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

Columbiana Port Authority
Columbiana County
1250 St. George Street
East Liverpool, Ohio 43920

To the Board of Directors:

We have audited the financial statements of the business-type activities of Columbiana Port Authority, Columbiana County, (the Port Authority) as of and for the year ended December 31, 2010, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated August 22, 2011, wherein we noted the Port Authority increased its line of credit with two banks to help offset a cash flow problem. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

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 2010-001.

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 22, 2011.

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

We intend this report solely for the information and use of management, the board of directors, federal awarding agencies and pass-through entities, and others within the Port Authority. We intend it for no one other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

August 22, 2011

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Columbiana Port Authority
Columbiana County
1250 St. George Street
East Liverpool, Ohio 43920

To the Board of Directors:

Compliance

We have audited the compliance of Columbiana Port Authority (the Port Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Port Authority's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Port Authority's major federal program. The Port Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Port Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Port Authority's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Port Authority's compliance with those requirements.

In our opinion, the Columbiana Port Authority complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The Port Authority's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Port Authority's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Port Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management, board of directors, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

August 22, 2011

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	**Unqualified**
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	**Yes**
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	**Yes**
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	**No**
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	**No**
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	**Unqualified**
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	**No**
(d)(1)(vii)	**Major Programs (list):**	**Highway Planning and Construction Cluster Grant CFDA #20.205**
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	**No**

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

FINDING NUMBER 2010-01

Noncompliance and Material Weakness - Debt Covenant Violation

The Columbiana Port Authority entered into a loan agreement, dated December 1, 2003, with the Ohio Rail Development Commission (ORDC) for the purchase of the Youngstown & Southern Railroad. This agreement was in the amount totaling $2,048,046.63. In conjunction with this agreement, the Port Authority is to make principal payments beginning February 1, 2007. Interest on this loan will be 0% from February 1, 2007 through December 31, 2007 and 1% per annum from January 1, 2008 through December 31, 2009 and 2 ½% per annum from January 1, 2010, until paid. No payment of principal or interest was required to be paid by the Port Authority until February 1, 2007.

FINDING NUMBER 2010-01
(Continued)

In addition to the payment schedule, the loan agreement stated that “If default be made in the payment of any installment of principal or interest under this Note when any such payment shall have become due and payable, or if an “Event of Default,” as defined in the Loan Agreement, or the Security Documents, shall have occurred and be continuing, then, at the option of the ORDC, the entire principal sum payable hereunder and all interest accrued thereon shall become due and payable at once, without demand or notice.”

It was determined that the Port Authority failed to remit payments as stated in the loan agreement in 2010. Required payments to retire principal, as stated in the amortization schedule, should have totaled $417,049.14. Actual payments applied to principal were $31,879.28. At this point the ORDC has not called or issued a waiver on this loan with the Port Authority.

Failure to comply with the covenant listed above has resulted in penalties with the lending institution in the amount totaling $355,088 for 2010. The financial statements were adjusted to include the penalties totaling $355,088. The ORDC has not issued a waiver for the debt covenant violation. The ORDC has not called the outstanding debt but does reserve the right to exercise all remedies accorded to them in the debt agreement, including calling the outstanding balance of the loan, which was $1,682,162 as of December 31, 2010.

We recommend the Port Authority review the debt agreement and comply with the covenant listed in the agreement.

Official’s Response:

Since 1999, the Port Authority and Ohio Rail Development Commission (“ORDC”) have worked as partners to preserve the Youngstown and Southern Railroad which has been in existence since 1857. Until 2009 Railroad rental revenue was being utilized to make payments to ORDC. A sale of the Railroad that would have paid off the ORDC Loan and Port Authority’s purchase money bank loan failed in 2009. Since that time the Port Authority has been paying the bank loan and actively pursuing either a sale or return of the rail rental revenue that will pay off ORDC. This process has been done with the acknowledgement of ORDC.

Auditor of State’s Conclusion

The Authority states they have been paying the bank loan. As stated in our finding above, they have paid $31,978, but are significantly delinquent on scheduled payments. To date in 2011, the Authority still owes $1,224,743 in delinquent loan payments plus $1,007,255 in penalties.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2010

Finding Number	**Finding Summary**	**Fully Corrected?**	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2009-001	The Columbiana Port Authority failed to remit payments to the Ohio Rail Development Commission as stated in the loan agreement in 2009.	No	Re-issued as Finding 2010-001

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Dave Yost • Auditor of State

COLUMBIANA COUNTY PORT AUTHORITY

COLUMBIANA 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
NOVEMBER 10, 2011

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