COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009

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, 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 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, 2009, 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.

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.

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, 2009

Assets:	
Equity in pooled cash and cash equivalents	$358,405
Account Receivable:	
Trade	450,727
Grants	5,662,000
Allowance for Doubtful Accounts	(40,000)
Prepayments (Insurance, Subscriptions, Lease Expense)	149,323
Property, plant and equipment	35,962,061
Accumulated Depreciation	(6,092,001)
Workers' Compensation Deposit	10
Construction in progress	1,132,475
Total Assets	37,583,000
Liabilities:	
Accounts Payable	498,758
Accrued Real Estate Tax	39,155
Accrued Interest	4,693
Accrued wages and benefits	99,567
Long-Term Liabilities:	
Due within one year	4,098,635
Due within more than one year	6,351,176
Total Liabilities	11,091,984
Net Assets:	
Unrestricted	26,491,016
Total Net Assets	**$26,491,016**

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, 2009

Operating Revenues:	
Rent	$1,581,031
Grants	$6,137,954
Miscellaneous	366,938
Total Operating Revenues	8,085,923
Operating Expenses:	
Advertising	11,655
Auto Expense	12,960
Bank Service Charges	229
Continuing Education	760
Contracted Labor	319,765
Contributions	951
Depreciation Expense	1,050,821
Directors' Fees	38,400
Dues and Subscriptions	36,209
Equipment Rental	611
Insurance	210,311
Interest	268,759
License Fees and Permits	230,417
Miscellaneous	1,095
Office & Postage Expense	6,678
Pension Plan	62,725
Professional Fees	177,047
Repairs and Maintenance	111,954
Rent	8,110
Salaries	424,184
Supplies	5,341
Taxes	6,989
Travel and Entertainment	30,450
Utilities	344,793
Total Operating Expenses	3,361,214
Operating Income/(Loss)	4,724,709
Non-Operating Revenues:	
Interest Income	45
Total Non-Operating Revenues	45
Change in Net Assets	4,724,754
Net Assets Beginning of Year	21,766,262
Net Assets End of Year	**$26,491,016**

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, 2009

Cash flows from operating activities:	
Net income / (loss)	$4,724,754
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,050,821
Decrease / (Increase) in operating assets:	
Accounts receivable	(5,470,113)
Other	5,641,557
Increase / (decrease) in operating liabilities:	
Accounts payable	(33,528)
Accrued liabilities	48,937
Total adjustments	1,237,674
Net cash provided by (used in) operating activities:	5,962,428
Cash flows from investing activities:	
Capital expenditures	(6,174,929)
Net cash provided by (used in) investing activities	(6,174,929)
Cash flows from financing activities:	
Notes payable borrowings	952,183
Notes payable repayments	(1,350,711)
Net cash provided by (used in) financing activities	(398,528)
Net increase (decrease) in cash and cash equivalents	(611,029)
Cash and cash equivalents at beginning of year	969,434
Cash and cash equivalents at end of year	**$358,405**

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

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.

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 2009 are $6,112,727. They included trade accounts receivable of $450,727 with doubtful accounts on these receivables totaling $40,000 and grants receivables of $5,662,000.

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 2009, 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 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 the Port 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 Port Authority, 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, 2009, the carrying amount of the Port Authority's deposits totaled $357,904 and its bank balance was $380,537. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2009, $88,018 was exposed to custodial risk as discussed below, while $292,519 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 Port Authority.

4. CAPITAL ASSETS

A summary of the property, plant and equipment purchased as of December 31, 2009, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$3,745,626		-	$3,745,626
Construction in progress	6,782,930	519,175	6,169,630	1,132,475
Workers Compensation Deposit	10	-	-	10
	10,528,566	519,175	6,169,630	4,878,111
Capital assets being depreciated:				
Automobiles	48,919	-	-	48,919
Buildings	5,840,229	6,172,431	-	12,012,660
Equipment	22,201		-	22,201
Furniture & Fixtures	71,809	-	-	71,809
Land Improvements	14,096,068		-	14,096,068
Signage	9,669	2,500	-	12,169
Railroad	5,952,609			5,952,609
	26,041,504	6,174,931	-	32,216,435
Less Accumulated Depreciation on:				
Automobiles	(28,454)	(5,711)	-	(34,165)
Buildings	(2,365,433)	(353,608)	-	(2,719,041)
Equipment	(15,997)	(1,821)	-	(17,818)
Furniture & Fixtures	(68,573)	(1,362)	-	(69,935)
Land Improvements	(1,412,735)	(460,432)	-	(1,873,167)
Signage	(7,552)	(706)	-	(8,258)
Railroad	(1,142,436)	(227,181)	-	(1,369,617)
	(5,041,180)	(1,050,821)	-	(6,092,001)
Capital assets, net	$31,528,890	$5,643,285	6,169,630	$31,002,545

5. LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
General Line of Credit - 1st National Community Bank	$677,989	varies
Fiber Optic Line of Credit - Fifth Third Bank	1,894,751	5.82%
Rail Road Improvement - ORDC	$1,358,715	varies
Rail Road - National City Bank	666,889	prime +1%
Crane Deming Industrial Plant - National City Bank	1,122,975	5.02%
Rural Industrial Loan - ODOD	785,000	varies
Adj. Rate Taxable Securities Series 2006	2,515,000	prime
Barret Mineral Purchase - Fifth Third Bank	1,428,492	3.50%
Total	$10,449,811	

The Port Authority has two lines of credit. The first line of credit with 1st National Community Bank is in the amount totaling $677,989. The second line of credit is with Fifth Third Bank in the amount totaling $1,894,751. 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 2007 for the principal amount of $825,014. The new terms call for twenty-three monthly payments of $6,875 plus interest, with a balloon payment at maturity. Payments began September 2007.

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 interest at a rate of 5.02%.

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 2009 total principal payments should have been made in the amount totaling $251,188. The actual payments were $67,482. Due to the late payments on this loan, a late fee of $139,119 has accrued, with no payment being made against this late fee. Also, a material citation was issued as finding # 2009-001 for the debt covenant violation.

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.

5. LONG-TERM OBLIGATIONS (Continued)

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

Year Ending December 31	Amounts
2010	$ 4,211,351
2011	924,539
2012	319,516
2013	421,300
2014	426,300
2015-2019	3,006,845
2020-2024	1,100,350
2025-2029	600,000
Total	$ 11,010,201

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 2009 employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10%. The 2009 employer contribution rate for local government employer units was 14% of covered payroll, from January 1 through March 31, 2009 7% of annual covered salary was the portion used to fund pension obligation, and from April 1 through December 31, 2009 8.5% 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, 2009, 2008, and 2007 were $62,326, $59,433, $57,482 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 2009, 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 7 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.23 percent from January 1 through March 31, 2009, and 4.73 percent from April 1 through December 31, 2009.

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 $162,236 from Quality Liquid Feed, on a 99 year lease, which commenced July 1, 2000.

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, 2009, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated August 22, 2011. 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 2009-001 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 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 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 and the board of directors. We intend it for no one other than these specified parties.

Dave Yost
Auditor of State

August 22, 2011

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009

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

FINDING NUMBER 2009-01

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.

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."

The Port Authority failed to remit payments as stated in the loan agreement in 2009. Required payments to retire principal, as stated in the amortization schedule, should have totaled $416,032.24. Actual payments applied to principal were $67,481.83.

Failure to comply with the covenant listed above has resulted in penalties with the lending institution in the amount totaling $139,119 for 2009. The financial statements were adjusted for this amount. 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 $1,358,715 as of December 31, 2009.

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 $67,481, 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.

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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