



Dave Yost • Auditor of State

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Port Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Columbiana County Port Authority, Columbiana County, Ohio (the Port Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Columbiana Port Authority, Columbiana County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2012, the Port Authority adopted the provisions of Governmental Accounting Standard No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources*. We did not modify our opinion regarding this matter.

Other Matters

The Port Authority has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 9, 2013

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

**STATEMENT OF NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

Assets:

| | |
|---|-----------------------|
| Equity in pooled cash and cash equivalents | \$1,587,167 |
| Account Receivable: | |
| Trade | 195,197 |
| Allowance for Doubtful Accounts | (1,250) |
| Prepayments (Insurance, Subscriptions, Lease Expense) | 170,987 |
| Workers' Compensation Deposit | 10 |
| Land | 1,568,730 |
| Construction in progress | 2,082,258 |
| Property, plant and equipment | 36,867,173 |
| Accumulated Depreciation | <u>(9,090,028)</u> |
| Total Assets | <u>33,380,244</u> |

Liabilities:

| | |
|-------------------------------|----------------------|
| Accounts Payable | 153,692 |
| Unearned Revenue | 5,131,496 |
| Options Payable | 985,500 |
| FICA Payable | 3,745 |
| PERS Payable | 13,184 |
| State W/H Payable | 1,579 |
| Local W/H Payable | 1,798 |
| Workers Compensation Payable | 1,680 |
| Miscellaneous Payable | 250 |
| Accrued wages and benefits | 76,710 |
| Long-Term Liabilities: | |
| Due within one year | 100,000 |
| Due within more than one year | <u>2,930,000</u> |
| Total Liabilities | <u>9,399,634</u> |

Net Position:

| | |
|----------------------------------|--------------------|
| Net Investment in Capital Assets | 28,498,133 |
| Unrestricted | <u>(4,517,523)</u> |

Total Net Position

\$23,980,610

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

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

Operating Revenues:

| | |
|-----------------------------------|----------------------|
| Rent | \$1,167,583 |
| Grants | 128,139 |
| Railroad Loan Forgiveness | 1,347,053 |
| Oil & Gas Lease | 634,566 |
| Land Easement | \$10,000 |
| Utilities | 300,439 |
| | <u>3,587,780</u> |
| Total Operating Cash Revenues | <u>3,587,780</u> |

Operating Expenses:

| | |
|------------------------------|----------------------|
| Advertising | 8,654 |
| Auto Expense | 12,496 |
| Bank Service Charges | 126 |
| Continuing Education | 5,514 |
| Contracted Labor | 25,441 |
| Depreciation Expense | 1,109,259 |
| Directors' Fees | 38,450 |
| Dues and Subscriptions | 32,540 |
| Electric | 182,070 |
| Employee Benefits | 7,052 |
| Equipment Rental | 2,010 |
| Gas | 85,873 |
| Insurance | 235,815 |
| Library, Books & Journals | 215 |
| Licenses Fees and Permits | 33,773 |
| Miscellaneous | 368 |
| Office & Postage Expense | 11,220 |
| Pension Plan | 65,345 |
| Professional Fees | 378,158 |
| Repairs and Maintenance | 186,738 |
| Rent | 8,110 |
| Salaries | 441,007 |
| Supplies | 6,012 |
| Taxes | 7,218 |
| Travel and Entertainment | 24,841 |
| Telephone | 9,229 |
| Trash Removal | 3,623 |
| Water | 6,666 |
| Utilities | 734 |
| | <u>2,928,557</u> |
| Total Operating Expenses | <u>2,928,557</u> |

| | |
|-------------------------|---------|
| Operating Income/(Loss) | 659,223 |
|-------------------------|---------|

Non-Operating Revenues/(Disbursements):

| | |
|--|----------------------|
| Bad Debt | (458,125) |
| Interest Expense | (68,491) |
| Interest Income | 587 |
| | <u>587</u> |
| Total Non-Operating Revenues/(Disbursements) | <u>(526,029)</u> |

| | |
|------------------------|---------|
| Change in Net Position | 133,194 |
|------------------------|---------|

| | |
|--------------------------------|------------|
| Net Position Beginning of Year | 23,847,416 |
|--------------------------------|------------|

| | |
|---------------------------------|----------------------------|
| Net Position End of Year | <u>\$23,980,610</u> |
|---------------------------------|----------------------------|

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Amounts |
|---|---------------------|
| Increase (Decrease) in Cash and Cash Equivalents | |
| Cash Flows from Operating Activities | |
| Cash Received from Rents | \$ 2,182,800 |
| Other Cash Receipts | 1,657,492 |
| Cash Payments to Employees for Services | (441,007) |
| Cash Payments for Employee Benefits | (72,397) |
| Cash Payments for Goods and Services | (1,226,297) |
| <i>Net Cash Provided by (Used in) Operating Activities</i> | <u>2,100,591</u> |
| Cash Flows from Noncapital Financing Activities | |
| Operating Grants Received | 218,762 |
| Lease Obligations | 4,972,868 |
| Bad Debt Expense | (458,125) |
| <i>Financing Activities</i> | <u>4,733,505</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Principal Borrowed on Notes | 177,385 |
| Principal Paid on Notes | (5,395,383) |
| Interest Paid on Notes | (68,491) |
| Payments for Capital Acquisitions | (461,472) |
| <i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i> | <u>(5,747,961)</u> |
| Cash Flows from Investing Activities | |
| Interest on Investments | 587 |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | 1,086,722 |
| <i>Cash and Cash Equivalents Beginning of Year</i> | 500,445 |
| <i>Cash and Cash Equivalents End of Year</i> | <u>\$ 1,587,167</u> |
| Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities | |
| Operating Gain (Loss) | \$ 659,223 |
| Adjustments: | |
| Depreciation | 1,109,259 |
| (Increase) Decrease in Assets: | |
| Accounts Receivable | 471,275 |
| Accounts Receivable Grants | (218,763) |
| Prepaid items | (6,685) |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | 79,544 |
| Accrued Wages | 1,621 |
| Compensated Absences Payable | 7,052 |
| Accd Interest | (4,694) |
| Payroll Taxes Payable | 2,759 |
| <i>Net Cash Provided by (Used in) Operating Activities</i> | <u>\$ 2,100,591</u> |

See accompanying notes to the basic financial statements.

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**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

1. Description of the Reporting Entity

The Columbiana County 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 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, public policy, management control, accountability or other purposes.

The Port Authority adopted the provisions of Governmental Accounting Standard No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources* for 2012.

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 Statement of Net Position. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

C. Budgetary Data

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

D. Accounts Receivable

Total accounts receivable for 2012 is Trade Accounts Receivable of \$195,197 with allowance for doubtful accounts on these receivables of (\$1,250).

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:

| <u>Years</u> | |
|------------------------|-------|
| Equipment | 3-10 |
| Furniture and Fixtures | 3-10 |
| Automobiles | 3-5 |
| Signage | 10-15 |
| Buildings | 10-30 |
| Land Improvements | 10-30 |
| Railroad | 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 2012, the Port Authority incurred no interest which was capitalized.

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.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

H. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consist of capital assets, net of accumulated depreciation and net of related debt. Net position is 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, cash on hand of \$500 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.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. Deposits and Investments – (Continued)

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,
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.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. Deposits and Investments - (Continued)

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.

As of December 31, 2012, the carrying amount of the Port Authority's deposits totaled \$1,586,667 and its bank balance was \$1,617,130. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2012, \$0 was exposed to custodial risk as discussed below, while \$257,566 was covered by the Federal Depository Insurance Corporation and \$1,359,564 was collateralized by the financial institution's public entity deposit pool.

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.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012
(Continued)**

4. Capital Assets

A summary of the property, plant and equipment purchased as of December 31, 2012, follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|------------------------------|--------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$1,523,701 | 45,029 | | 1,568,730 |
| Construction in progress | 7,674,155 | | 5,591,897 | 2,082,258 |
| | <u>9,197,856</u> | <u>45,029</u> | <u>5,591,897</u> | <u>3,650,988</u> |
| Capital assets being depreciated: | | | | |
| Automobiles | 48,919 | | | 48,919 |
| Buildings | 10,617,658 | 5,998,626 | | 16,616,284 |
| Equipment | 59,601 | 5,518 | | 65,119 |
| Furniture & Fixtures | 71,809 | 4,196 | | 76,005 |
| Land Improvements | 14,096,068 | | | 14,096,068 |
| Signage | 12,169 | | | 12,169 |
| Railroad | 5,952,609 | | | 5,952,609 |
| | <u>30,858,833</u> | <u>6,008,340</u> | <u>0</u> | <u>36,867,173</u> |
| Less Accumulated Depreciation on: | | | | |
| Automobiles | (45,587) | (3,332) | | (48,919) |
| Buildings | (3,211,535) | (447,682) | | (3,659,217) |
| Equipment | (24,198) | (5,425) | | (29,623) |
| Furniture & Fixtures | (71,749) | (560) | | (72,309) |
| Land Improvements | (2,794,638) | (432,930) | | (3,227,568) |
| Signage | (9,789) | (634) | | (10,423) |
| Railroad | (1,823,273) | (218,696) | | (2,041,969) |
| | <u>(7,980,769)</u> | <u>(1,109,259)</u> | <u>0</u> | <u>(9,090,028)</u> |
| Capital assets, net | <u>\$32,075,920</u> | <u>4,944,110</u> | <u>5,591,897</u> | <u>\$31,428,133</u> |

5. Long-Term Obligations

Changes in the Port Authority's long term principal obligations were as follows:

| | Interest Rate | Outstanding 12/31/11 | Additions | Deletions | Outstanding 12/31/12 | Due within 1 Year |
|------------------------------|------------------|-------------------------|-------------------|--------------------|-------------------------|----------------------|
| Line of credit - general | 5.00% | \$ 802,603 | \$ 177,385 | \$ 979,988 | | |
| Line of credit – fiber optic | 5.82% | 1,393,600 | | 1,393,600 | | |
| Railroad – ORDC | variable | 2,392,396 | | 2,392,396 | | |
| Railroad – PNC Bank | 7.95% | 534,398 | | 534,398 | | |
| Rural Ind. Loan - ODOD | Variable | 785,000 | | 0 | \$ 785,000 | |
| Adj. Rate Tax. Securities | Prime | 2,340,000 | | 95,000 | 2,245,000 | \$100,000 |
| | | <u>\$8,247,997</u> | <u>\$ 177,385</u> | <u>\$5,395,382</u> | <u>\$3,030,000</u> | <u>\$100,000</u> |

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012
(Continued)**

5. Long-Term Obligations – (Continued)

The Port Authority issued Adjustable Rate Taxable Securities Series 2006 in the Amount of \$2,680,000 for the BTI Project. The remaining bonds mature in 2027 which if paid as scheduled will be \$210,000.

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. The loan agreement has been modified to an 18 year loan. Interest payments will be deferred to the end on the loan.

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

Adj. Rate Securities Series 2006

| <u>Year Ending</u> <u>December 31</u> | <u>Amounts</u> |
|--|----------------|
| 2013 | 100,000 |
| 2014 | 105,000 |
| 2015 | 115,000 |
| 2016 | 120,000 |
| 2017 | 125,000 |
| 2018-2022 | 730,000 |
| 2023-2027 | <u>950,000</u> |
| Total | \$2,245,000 |

Ohio Department of Development

| <u>Year Ending</u> <u>December 31</u> | <u>Amounts</u> |
|--|----------------|
| 2013 | 0 |
| 2014 | 0 |
| 2015 | 10,678 |
| 2016 | 65,594 |
| 2017 | 65,594 |
| 2018-2022 | 385,388 |
| 2023-2025 | <u>257,746</u> |
| Total | \$785,000 |

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012
(Continued)**

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 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.

OPERS provide 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, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2011 employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10%. The 2012 employer contribution rate for local government employer units was 14% of covered payroll, 8.75% to fund the pension and 5.25% to fund health care. 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, 2012, 2011, 2010 were 65,345, \$60,975, and \$62,725, respectively, which were equal to the required contributions for each year.

7. Postemployment Benefits

Ohio Public Employees Retirement System

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.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012
(Continued)**

7. Postemployment Benefits – (Continued)

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to 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.

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 health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.00% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees 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 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2013 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2013.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Port's contribution allocated to fund post-employment health care benefits for the year ended December 31, 2012, 2011 and 2010 were \$18,098, \$17,421 and \$17,921, respectively, which were equal to the required contributions for each year.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012
(Continued)**

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 coverage 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 Obligations

Advance rent obligations consist of \$156,749 from Quality Liquid Feed, on a 99 year lease, which commenced July 1, 2000. In addition, advanced rent of \$5,000,000 from Harvest Arrowhead Pipelines, which commenced July 16, 2012, on a 99 year lease of twenty acres of Port land in Wellsville, with exclusive rights to two storage tanks, and nonexclusive use of barge loading cells, over track aerial rights, and a rail line. At the end of the lease term, Harvest Arrowhead Pipelines will surrender its use of the Port land, equipment, and rights.

10. Sale Of Railroad

The Port has entered into a sales agreement to sell Rail Line. The purchase price is set at \$3 million is pending.



Dave Yost • Auditor of State

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

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

To the Board of Trustees

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Columbiana County Port Authority, Columbiana County, (the Port Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated September 9, 2013, wherein we noted the Port Authority adopted GASB 62 and 63 and omitted MD&A.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. We consider finding 2012-003 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 and 2012-002.

Entity's Response to Findings

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.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 9, 2013

COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012

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

1. Former Fiscal Officer/Board Member Retires Improperly

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2012-001 |
|-----------------------|----------|

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Revised Code Section 145.381 requires a board, commission, or legislative authority that proposes to continue the employment of a reemployed retirant or rehire as a reemployed retirant (to the same position), an employee that was most recently employed by a public employer in a position that is customarily filled by a vote of members of a board or commission or by the legislative authority of a county shall do both of the following in accordance with rules adopted under division (C) of this section: (1) Not less than sixty days before the employment as a reemployed retirant is to begin, give public notice that the person is or will be retired and is seeking employment with the public employer; and (2) between fifteen and thirty days before the employment as a reemployed retirant is to begin, hold a public meeting on the issue of the person being employed by the public employer.

For 2012, Stephen Cooper was the Port Authority's fiscal officer and also a Board member.

However, Mr. Cooper filed his retirement application with the Ohio Public Employees Retirement System (OPERS) on February 3, 2011. Neither the Port Authority Board nor the Columbiana County Commissioners (the appointing authority over the Port) were aware of this situation until January of 2013. A *Notice of Re-employment of an OPERS Benefit Recipient (SR-6)* was filed on April 6, 2011 that indicated Mr. Cooper was re-employed on March 1, 2011. This form also indicated that Columbiana County Port Authority gave public notice that the benefit recipient would be receiving a benefit and seeking re-employment. This form was certified by the Port Authority's Manager of Administration and Finance, not a Port Board member or County Commissioner.

Since the County Commissioners were not aware of Mr. Cooper's retirement, they were not able to comply with the reemployment requirements of Ohio Revised Code Section 145.381.

In addition, it does not appear that Mr. Cooper ever left service as an employee of the Port Authority. Thus, he was not retired for 60 days before being "re-employed" by the Port Authority. Since Mr. Cooper earned wages during that time 60 day period, the Port Authority and County may have some financial liability to OPERS.

Ohio Revised Code Section 145.38(B)(2) states that a public employer that employs a PERS retirant or other system retirant, or enters into a contract for services as an independent contractor with a PERS retirant, shall notify the retirement board of the employment or contract not later than the end of the month in which the employment or contract commences. Any overpayment of benefits to a PERS retirant by the retirement system resulting from delay or failure of the employer to give the notice shall be repaid to the retirement system by the employer.

This matter will be referred to the Ohio Public Employees Retirement System and the Columbiana County Prosecutor.

Official's Response: The Port Authority will work with Mr. Cooper and OPERS to resolve the issue and have Mr. Cooper pay back the Port Authority and OPERS as needed.

2. Certifying Availability of Funds

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2012-002 |
|-----------------------|----------|

NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D), requires that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D) (1) and 5705.41 (D) (3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: If the fiscal officer can certify both at the time that the contract or order was made "then" at the time that the fiscal officer is completing the certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Port.
2. Blanket Certificate: Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate: The Port may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal office for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Port does not issue purchase orders to certify the availability of funds prior to the commitment and expenditure of funds. Incurring obligations prior to the fiscal officer's certification could result in the Port spending more than appropriated.

**Finding Number 2012-002
 (Continued)**

Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Port's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify funds are or will be available prior to obligation by the Port. When prior certification is not possible, "then and now" certification should be used.

We recommend the Port certify purchases to which section 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Port incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response: The Port Authority will start utilizing purchase orders.

3. Financial Statements and Notes not Initially Presented in Accordance with Standards

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2012-003 |
|-----------------------|----------|

MATERIAL WEAKNESS

AU-C Section 265 Communicating Internal Control Related Matters Identified in an Audit, establishes standards on communicating matters related to an entity's internal control as they apply to financial reporting.

Entities must have controls in place to ensure:

- The financial information submitted is accurate in all material respects and that all necessary disclosures were made.
- The internal control structure and procedures provide reasonable assurance as to the proper recording of financial transactions and balances.
- Management evaluated the effectiveness of the internal control structure over the financial information.

The Port Authority's financial statements and notes were not complete and were not presented in accordance with accounting standards applicable for governmental not for profit entities. The *Statement of Net Position* did not present the "net investment in capital assets" of Net Position. The *Statement of Revenues, Expenses, and Changes in Net Position* did not separately report non-operating revenues and expenses from operating revenues and expenses. The *Statement of Cash Flows* was not presented using the direct method as required by GASB Cod. § 2450.128. The notes to the financial statements were not complete and accurate and presented outdated note disclosures and terminology.

The Port Authority has corrected their financial statements and notes for the errors above.

We recommend the Port Authority implement controls and procedures related to financial reporting that will enable management to identify, prevent, detect and correct potential misstatements in the financial statement.

Official's Response: The Port did not provide a response.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|-----------------------|---|--|--|
| 2011-01 | The Columbiana Port Authority failed to remit payments to the Ohio Rail Development Commission as stated in the loan agreement in 2009. | Yes, loan was paid off and waived the remainder of the fees. | Finding No Longer Valid |



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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
JANUARY 14, 2014**