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# PERRY & Associates

Certified Public Accountants, A.C.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2013**

[www.perrycpas.com](http://www.perrycpas.com)

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Members: American Institute of Certified Public Accountants • Ohio Society of CPAs • West Virginia Society of CPAs





# Dave Yost • Auditor of State

Board of Directors  
Heath-Newark-Licking County Port Authority  
851 Irving-Wick Drive West  
Heath, Ohio 43056

We have reviewed the *Independent Auditor's Report* of the Heath-Newark-Licking County Port Authority, Licking County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 18, 2015

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**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

June 23, 2015

Heath-Newark-Licking County Port Authority  
Licking County  
851 Irving-Wick Drive West  
Heath, OH 43056-6114

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of **Heath-Newark-Licking County Port Authority**, Licking County, Ohio (the "Authority"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the 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 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 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 opinion.



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• Association of Certified Anti - Money Laundering Specialists •



**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heath-Newark-Licking County Port Authority, Licking County as of December 31, 2013, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2015 on our consideration of the 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 Authority's internal control over financial reporting and compliance.



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

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)**

The discussion and analysis of the Heath-Newark-Licking County Port Authority, Licking County (the Authority) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

**Financial Highlights**

Key financial highlights for 2013 are as follows:

- The total net position of the Authority increased \$1,316,216.
- Total operating and nonoperating revenues for 2013 were \$4,338,426. This represents an increase of \$435,480, or 11% from 2012.
- Total outstanding debt during the year decreased \$1,015,612 to \$3,208,492 and is attributed to the Authority's strategic plan to reduce outstanding debt before its intended maturity.
- The overall cash position of the Authority increased \$708,505.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the Authority as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of revenues, expenses, and changes in net position provide information about the activities of the Authority as a whole, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances.

**Reporting the Authority as a Whole**

***Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position***

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during 2013?" These statements present all assets and liabilities both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private – sector companies. The accrual basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

These two statements report the Authority's net position and changes in overall financial position. This change in net position is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

**Reporting the Authority's Most Significant Fund**

***Proprietary Fund***

The Authority maintains one proprietary fund, an enterprise fund.



**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)**

**Summary of Net Position**

The table below provides a summary of the Authority's net position for 2013 and 2012:

	2013	(Restated) 2012
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current and other assets	\$ 9,424,134	\$ 8,751,939
Noncurrent assets	511,392	566,424
Capital assets	<u>21,386,471</u>	<u>21,668,999</u>
Total assets	<u>31,321,997</u>	<u>30,987,362</u>
<u>Liabilities</u>		
Current liabilities	1,374,796	1,447,693
Noncurrent liabilities	<u>2,516,596</u>	<u>3,425,280</u>
Total liabilities	<u>3,891,392</u>	<u>4,872,973</u>
<u>Net Position</u>		
Net investment in capital assets	18,177,979	17,444,895
Unrestricted	<u>9,252,626</u>	<u>8,669,494</u>
Total net position	<u>\$ 27,430,605</u>	<u>\$ 26,114,389</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, the Authority's assets exceeded liabilities by \$27,430,605.

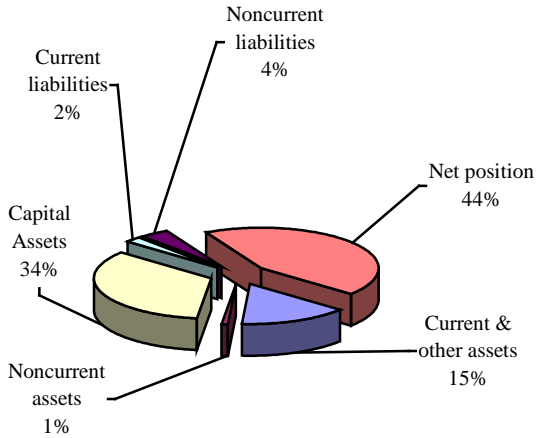
Capital assets represent the largest portion of the Authority's net position. At year-end, capital assets represented 68% of total assets. Capital assets include land, land improvements, infrastructure, furniture and fixtures, machinery and equipment and vehicles. Net investment in capital assets or what was required to acquire these assets at December 31, 2013 was \$18,177,979. These capital assets are used to provide services and are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The balance of unrestricted net position of \$9,252,626 may be used to meet the Authority's ongoing obligations.

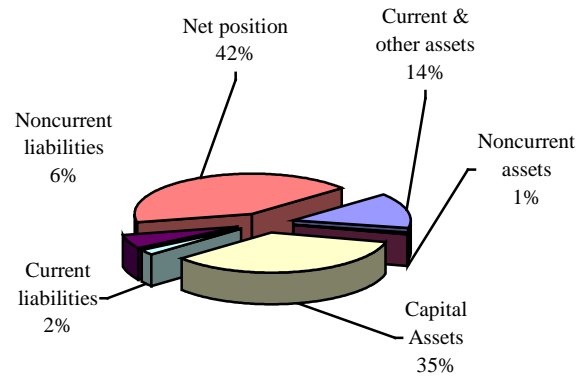
**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)**

**Net Position - 2013**



**Net Position - 2012 (as restated)**



**Summary of Revenues and Expenses**

The table below provides a summary of the Authority's revenues and expenses for 2013 and 2012:

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)**

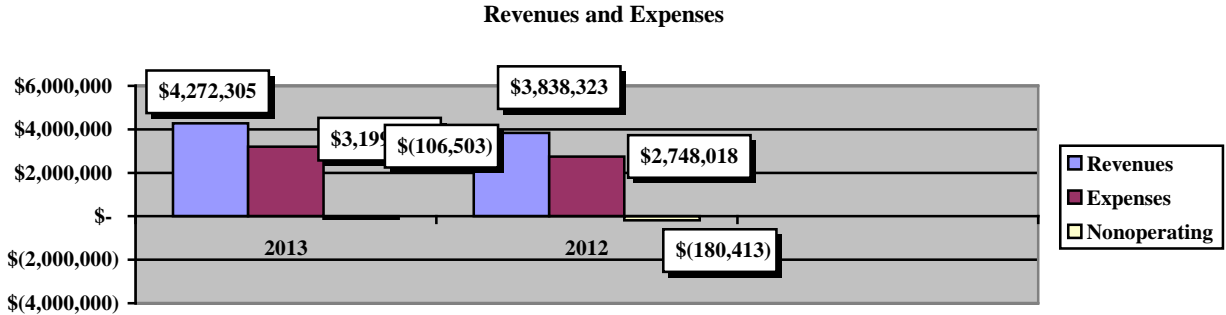
	2013	2012
<b>Operating Revenues:</b>		
Charges for Services	\$ 4,227,606	\$ 3,837,916
Other Operating Revenues	44,699	407
	4,272,305	3,838,323
<b>Operating Expenses:</b>		
Personnel Services	919,505	821,346
Materials and Supplies	132,052	133,719
Contractual Services	987,343	869,516
Depreciation	810,686	923,437
	2,849,586	2,748,018
Total Operating Expenses	2,849,586	2,748,018
Operating Income	1,422,719	1,090,305
<b>Nonoperating Revenues (Expenses):</b>		
Intergovernmental Grants	-	4,524
Investment Earnings	20,074	23,962
Gain on Disposal of Capital Assets	46,047	-
Interest and Fiscal Charges	(172,624)	(226,758)
Other Nonoperating Revenues	-	36,137
Other Nonoperating Expenses	-	(18,278)
	(106,503)	(180,413)
Total Nonoperating Revenues (Expenses)	(106,503)	(180,413)
Changes in net position	1,316,216	909,892
Beginning Net Position (Restated)	26,114,389	25,204,497
Ending Net Position	\$ 27,430,605	\$ 26,114,389

Operating revenues increased \$433,982 and operating expenses increased \$101,568, respectively, from 2012. Increases in operating revenues are attributed to new tenants and also higher lease revenues received from existing tenants. Higher operating expenses attributed to higher personnel and depreciation of capital assets.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)**

The graph below presents the activity regarding the change in net position for 2013 and 2012.



**Budgeting Highlights**

Although not required under the Ohio Revised Code, an annual operating budget is adopted for management purposes. Budget information is reported to the management of the Board, and modifications may only be made by resolution of the Board.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of 2013, the Authority had \$21,036,896 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. The following table shows 2013 balances compared to 2012:

**Capital Assets at December 31**

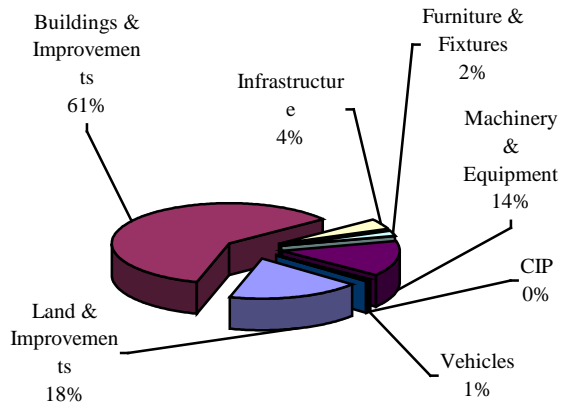
	2013	(Restated) 2012
Land and Land Improvements	\$ 6,105,730	\$ 6,234,156
Construction in Progress	137,208	-
Buildings and Improvements	20,121,958	20,105,458
Infrastructure	1,452,502	1,452,502
Furniture and Fixtures	710,350	710,350
Machinery and Equipment	4,719,776	4,216,900
Vehicles	171,977	171,977
Less: Accumulated Depreciation	<u>(12,033,030)</u>	<u>(11,222,344)</u>
Totals	<u>\$21,386,471</u>	<u>\$21,668,999</u>

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

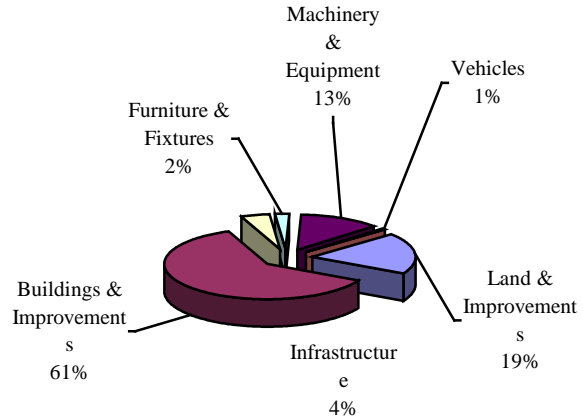
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)**

The following graph presents the categories of the Authority's capital assets reported at cost:

**Capital Assets - 2013**



**Capital Assets - 2012 (Restated)**



The Authority's largest capital asset category is buildings and improvements and represents 61% of total capital assets for 2013 and 2012.

See Note 6 to the basic financial statements for more detail on the Authority's capital assets.

***Debt Administration***

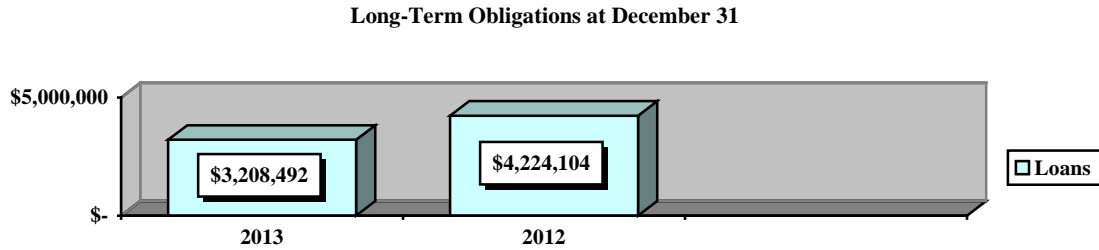
The Authority had the following long-term obligations outstanding at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Boeing Repair Loan	\$ 470,539	\$ 1,063,947
Recovery Zone Loan	<u>2,737,953</u>	<u>3,160,157</u>
Total long-term obligations	3,208,492	4,224,104
Less: Due within one year	<u>(691,896)</u>	<u>(798,824)</u>
Net long-term obligations	<u><u>\$ 2,516,596</u></u>	<u><u>\$ 3,425,280</u></u>

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)**

A breakdown of the Authority's long-term obligations is as follows for 2013 and 2012:



See Note 9 to the basic financial statements for more detail on the Authority's long-term debt obligations.

**Economic Conditions and Outlook**

- Net position is expected to increase in future years as the Authority continues to increase expansion of the base further increasing the local workforce along with the Authority's commitment to bring high quality companies to the Licking County area.

**Contacting the Authority's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact Erin Grigsby, Director, Finance and Compliance, Heath-Newark-Licking County Port Authority, 851 Irving-Wick Drive West, Heath, Ohio.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2013

**Assets:**

**Current assets:**

Cash and cash equivalents	\$ 4,276,291
Investments	5,000,000
Receivables:	
Accounts	1,053
Interest	9,030
Prepaid items	137,760
Total current assets	<u>9,424,134</u>

**Noncurrent assets:**

Loan receivable	473,892
Lease incentive receivable	37,500
Capital assets:	
Land	6,105,730
Construction in progress	137,208
Depreciable capital assets, net	<u>15,143,533</u>
Total capital assets, net	<u>21,386,471</u>
Total noncurrent assets	<u>21,897,863</u>

Total assets	<u>31,321,997</u>
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**Liabilities:**

**Current liabilities:**

Accounts payable	40,411
Contracts payable	137,208
Accrued wages and benefits	49,511
Intergovernmental payable	109,826
Due to others	13,942
Accrued interest payable	4,984
Unearned revenue	323,921
Compensated absences payable	3,097
Boeing loan - current	470,539
Recovery zone facility bond - current	<u>221,357</u>
Total current liabilities	<u>1,374,796</u>

**Noncurrent liabilities:**

Recovery zone facility bond	<u>2,516,596</u>
Total noncurrent liabilities	<u>2,516,596</u>

Total liabilities	<u>3,891,392</u>
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**Net Position:**

Net investment in capital assets	18,177,979
Unrestricted	<u>9,252,626</u>

Total net position	<u>\$ 27,430,605</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2013

<b>Operating revenues:</b>	
Charges for services - building leases	\$ 4,227,606
Other operating revenues	44,699
	<hr/>
Total operating revenues	4,272,305
	<hr/>
<b>Operating expenses:</b>	
Personnel services	919,505
Material and supplies	132,052
Contractual services	987,343
Depreciation	810,686
	<hr/>
Total operating expenses	2,849,586
	<hr/>
Operating income	1,422,719
	<hr/>
<b>Nonoperating revenues (expenses):</b>	
Investment earnings	20,074
Interest and fiscal charges	(172,624)
Gain on sale of capital assets	46,047
	<hr/>
Total nonoperating revenues (expenses)	(106,503)
	<hr/>
Change in net position	1,316,216
	<hr/>
<b>Net position at beginning of year (Restated, see note 3)</b>	26,114,389
	<hr/>
<b>Net position at end of year</b>	<u><u>\$ 27,430,605</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.



**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013

<b>Cash flows from operating activities:</b>	
Cash received from leases	\$ 4,227,130
Cash received from other operating receipts	44,053
Cash payments to supplies for goods and services	(1,062,089)
Cash payments for employee services and benefits	<u>(908,742)</u>
Net cash provided by operating activities	<u>2,300,352</u>
<b>Cash flows from noncapital financing activities:</b>	
Intergovernmental receipts	<u>4,524</u>
<b>Cash flows from capital and related financing activities:</b>	
Principal payments - Recovery zone facility bond	(422,204)
Principal payments - Boeing lease loan	(593,408)
Interest payments - Boeing lease loan	(50,411)
Interest payments - Recovery zone facility bond	(124,174)
Proceeds from sale of land	174,473
Acquisition and construction of capital assets	<u>(611,106)</u>
Net cash used in capital and related financing activities	<u>(1,626,830)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>30,459</u>
Net increase in cash and cash equivalents	708,505
<b>Cash and cash equivalents at beginning of year</b>	<u>3,567,786</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 4,276,291</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 1,422,719
Adjustments:	
Depreciation	810,686
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	24,354
(Increase) decrease in intergovernmental receivable	4,524
(Increase) decrease in prepaid items	2,079
Increase (decrease) in accounts payable	(709)
Increase (decrease) in contracts payable	13,024
Increase (decrease) in accrued wages and benefits	9,982
Increase (decrease) in compensated absences	781
Increase (decrease) in intergovernmental payable	13,420
Increase (decrease) in due to others	(32)
Increase (decrease) in unearned revenue	<u>(476)</u>
Net cash provided by operating activities	<u><u>\$ 2,300,352</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Heath-Newark-Licking County Port Authority (the "Authority") was created on May 18, 1996 under the authority of Section 4582.21 et seq. of the Ohio Revised Code which provides that "a municipal corporation, a county or any combination thereof acting jointly, may create a port authority which shall be a body corporate and politic and have territorial limits coterminous with the territorial limits of the political subdivision(s) creating such port authority."

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's Governing Board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; or (3) the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Authority has no component units. The basic financial statements of the reporting entity include only those of the Authority (the primary government).

**B. Basis of Presentation**

The Authority operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. All transactions are accounted for in a single enterprise fund.

The financial statements are presented as of December 31, 2013 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting: and Financial Reporting: Standards (GASB Codification).

**C. Measurement Focus**

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net position.

The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting**

The Authority uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**E. Budgetary Process**

The budgetary process is prescribed by the provisions of Ohio Revised Code Section 4582.39. "Rents and charges received by the port authority shall be used for the general expenses of the port authority and to pay interest, amortization, and retirement charges on money borrowed." The major document prepared is the appropriation resolution which is prepared on the budgetary basis of accounting.

The appropriation resolution is subject to amendment throughout the year. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within its fund. Budgetary modifications may only be made by resolution of the Board of Directors.

**1. Budget**

The Finance Manager and Chief Executive Officer submit an annual budget and appropriations resolution for the following fiscal year to the Board of Directors by the December board meeting for consideration and passage. The adopted budget shall not exceed the total of the estimated revenues available for expenditure from each fund.

**2. Estimated Resources**

The Director, Finance and Compliance and Chief Executive Officer prepare estimated revenues by fund prior to consideration of the annual appropriation resolution. The Authority must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

**3. Appropriations**

An annual appropriation resolution must be passed by the Board of Directors for the following year in December. The appropriation resolution establishes spending controls at the fund and object level (i.e. personnel services, materials and supplies, contractual services, and capital outlay). The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources. The allocation of appropriations among objects within a fund may be modified during the year by a resolution of the Board of Directors.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, certificates of deposit and repurchase agreements.

**G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", the Authority reports its investments at fair value. Nonparticipating investment contracts (repurchase agreements) and certificates of deposit are reported at cost which approximates fair value.

**H. Capital Assets and Depreciation**

Capital Assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000.

Property, plant and equipment acquired by the enterprise funds are stated at cost (or estimated historical cost), including architectural and engineering fees where applicable. Donated capital assets are recorded at fair value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Infrastructure	20 – 50
Buildings	20 – 50
Building Improvements	10 – 50
Improvements Other than Buildings	10 – 20
Vehicles	3 – 15
Furniture & Equipment	3 – 25
Computer Equipment	3 – 15

**I. Compensated Absences**

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," compensated absences 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. Employees earn vacation leave based on length of service and position. 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 it is considered probable that the conditions for compensation will be met in the future.

Employees earn 10 days of sick leave per year, which may be carried over to subsequent years. There is no liability for unpaid accumulated sick leave since upon separation or retirement; employees do not receive any payment for unused sick time.

**J. Pensions**

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets is reported net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted net position would consist of monies and other resources, which are restricted to satisfy debt service requirements as specified in debt agreements.

**L. Operating Revenues & Expenses**

Operating revenues consist primarily of fees for services, rents and charges for use of facilities, and other income. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital assets.

Nonoperating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues include intergovernmental grants and interest from investments. Nonoperating expenses include interest expense on long-term debt and various other nonoperating expenses.

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of the Authority are combined to form a pool of cash and investments. The Authority has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Authority to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income. Statutes require the classification of funds held by the Authority into three categories.

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the Authority. Such funds must be maintained either as cash in the Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed 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;

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 2 – POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposit may not be returned. Protection of Authority cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC).

The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, Municipal Corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the Authority's deposits was \$216,053 and the bank balance was \$231,177. Federal depository insurance covered 100% of the bank balance.

**Investments**

The Authority reports a certificate of deposit valued at \$5,000,000 with original maturity of more than three months as investments on the Statement of Net Position. In addition, the Authority maintains an overnight repurchase agreement, which has no credit rating, in the amount of \$4,060,238. Of the Authority's total investments, 100% was invested in repurchase agreements and certificates of deposits.

***Interest Rate Risk*** – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

***Concentration of Credit Risk*** – The Authority places no limit on the amount the Authority may invest in one issuer.

***Custodial Credit Risk*** – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Authority's investments, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the Authority.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 3 – RESTATEMENT OF NET POSITION**

Net position was restated to properly account for capital assets and depreciation of certain capital assets. The effect on net position is as follows:

Net Position at December 31, 2012	\$ 26,207,551
Capital Asset Adjustments	<u>(93,162)</u>
Net Position at December 31, 2012 as Restated	<u><u>\$ 26,114,389</u></u>

**NOTE 4 – LOAN RECEIVABLE**

In 2008, the Authority entered into a 10-year lease agreement with the Boeing Company that included a \$500,000 loan. Boeing is making monthly installment payments totaling \$50,000 over 10 years at 5.0%. The remaining \$450,000 of the loan is due at the end of 10 years only if the 10 year lease on the equipment is terminated early. The amount of \$473,892 was reported as a loan receivable by the Authority at December 31, 2013.

**NOTE 5 – LEASE INCENTIVE RECEIVABLE**

The Authority modified an existing lease agreement with the Boeing Company for costs associated with the Electrostatically Supported Gyro Navigator Project. As part of this agreement, the Authority negotiated a lease incentive and expended \$200,000 so this project would be completed in Ohio. This lease will be amortized over the life of the lease and the amount reported as lease incentive receivable at December 31, 2013 totaled \$37,500.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 6 - CAPITAL ASSETS**

A summary of capital assets at December 31, 2013:

	(Restated) Balance 1/1/2013	Additions	Deletions	Balance 12/31/2013
<b>Nondepreciable Capital Assets</b>				
Land	\$ 6,234,156	\$ -	\$ (128,426)	\$ 6,105,730
Construction in Progress	-	137,208	-	137,208
Total Nondepreciable Capital Assets	<u>6,234,156</u>	<u>137,208</u>	<u>(128,426)</u>	<u>6,242,938</u>
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	20,105,458	16,500	-	20,121,958
Infrastructure	1,452,502	-	-	1,452,502
Furniture and Fixtures	710,350	-	-	710,350
Machinery and Equipment	4,216,900	502,876	-	4,719,776
Vehicles	171,977	-	-	171,977
Total at Historical Cost	<u>26,657,187</u>	<u>519,376</u>	<u>-</u>	<u>27,176,563</u>
Less Accumulated Depreciation				
Buildings and Improvements	(7,390,976)	(502,811)	-	(7,893,787)
Infrastructure	(485,194)	(78,582)	-	(563,776)
Furniture and Fixtures	(687,202)	(3,308)	-	(690,510)
Machinery and Equipment	(2,550,651)	(213,985)	-	(2,764,636)
Vehicles	(108,321)	(12,000)	-	(120,321)
Total Accumulated Depreciation	<u>(11,222,344)</u>	<u>(810,686)</u>	<u>-</u>	<u>(12,033,030)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>15,434,843</u>	<u>(291,310)</u>	<u>-</u>	<u>15,143,533</u>
Capital Assets, Net	<u>\$ 21,668,999</u>	<u>\$ (154,102)</u>	<u>\$ (128,426)</u>	<u>\$ 21,386,471</u>

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

**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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings; and the Combined Plan – 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 Pension 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 in Chapter 145 of the Ohio Revised Code.



**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Ohio Public Employees Retirement System (Continued)**

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan.

**Funding Policy** – The 2013 member contribution rates were 10% of covered payroll for members in state and local classifications while the employer contribution rate was 14%. The Authority's contributions to OPERS for the years ended December 31, 2013, 2012, and 2011 were \$57,256, \$54,265, and \$51,936, respectively. Required contributions are equal to 100% of the dollar amount billed for 2013, 2012 and 2011.

**NOTE 8 – 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 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, 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 as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan 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>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy** – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage 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 coverage.

Employer contribution rates are expressed as percentages of the covered payroll of active members. For 2013, state and local employers contributed a rate of 14% 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.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)**

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 1% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% during calendar year 2013. Effective January 1, 2014, the portion of the employer contributions allocated to healthcare was raised 2 percent for both plans, as recommended by the OPERS Actuary. 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 Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$4,089, \$14,650, and \$21,793. 100% was contributed for 2013, 2012, and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent to the employer contributions toward the health care fund after the end of the transition period.

**NOTE 9 – LONG-TERM DEBT**

Long-term debt obligations of the Authority at December 31, 2013 were as follows:

	Interest Rate	Balance 01/01/13	Additions	Reductions	Balance 12/31/13	Due Within One Year
Recovery Zone Loan	3.98%	\$ 3,160,157	\$ -	(\$422,204)	\$2,737,953	\$ 221,357
Boeing Loan	6.25%	1,063,947	-	(593,408)	470,539	470,539
Total Long-Term Debt		\$ 4,224,104	\$ -	(\$1,015,612)	\$3,208,492	\$ 691,896

In 2008, the Authority closed on a \$1.5 million loan from the State of Ohio for the Boeing Company to make facility improvements. The loan is secured by the property financed under a 10-year lease agreement and is payable solely from the payments on the underlying loan. Upon repayment of the loan, ownership of the acquired facilities transfers to the Boeing Company. The Authority is not obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

During 2009 the Authority entered into a \$2,759,461 five year loan at an interest rate of 6.25% for the purpose of facilitating the asbestos abatement project with the Boeing Company. The loan is collateralized by lease revenues received by the Authority.

The Authority received authorization to secure a Recovery Zone Facility Revenue Loan in an amount not to exceed \$4,760,000 for the purpose of constructing commercial offices on the Authority Premises. This loan shall initially bear interest at a five year interest rate of 3.98% until the first interest period reset and the maturity shall not exceed 15 years.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 9 – LONG-TERM DEBT (Continued)**

The total principal and interest requirements to retire the Authority's outstanding debt:

Year	Boeing Lease Premises Loan		Recovery Zone Facility Revenue Loan	
	Principal	Interest	Principal	Interest
2014	\$ 470,539	\$ 12,482	\$ 221,357	\$ 103,021
2015	-	-	227,001	97,376
2016	-	-	236,076	88,301
2017	-	-	246,037	78,340
2018	-	-	256,151	68,226
2019-2023	-	-	1,447,471	174,415
2024	-	-	103,860	863
Totals	<u>\$ 470,539</u>	<u>\$ 12,482</u>	<u>\$2,737,953</u>	<u>\$ 610,542</u>

**NOTE 10 - RISK MANAGEMENT – RISK POOL MEMBERSHIP**

The Authority belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY  
LICKING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE 10 - RISK MANAGEMENT – RISK POOL MEMBERSHIP (Continued)**

In addition, the Authority contracted with several different insurance providers as follows:

Insurance Provider	Coverage	Deductible
Affiliated FM	Property Casualty, Bridge, Terrorism	\$0 per occurrence
American Alternative Insurance Corp. American Bankers Insurance Co. (National Flood Services)	Commercial Umbrella  Flood	\$5,000,000 coverage \$500 per occurrence/over \$500,000

There has been no significant reduction in insurance coverage from coverage in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

**NOTE 11 - CONDUIT DEBT**

From time to time, the Authority has issued Industrial Revenue Bonds to provide financial assistance to private-sector and non-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The tax-exempt bonds are secured by the property financed. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Authority, the State of Ohio, nor any political subdivision thereof is obligated in any manner for repayment on the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying basic financial statements.

As of December 31, 2013, there were three series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$32,195,000.

**NOTE 12 – CHANGES IN ACCOUNTING PRINCIPLE**

During the fiscal year, the Authority adopted the following GASB statements.

For 2013, the Authority has implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*.

The objective of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, is to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012, and have been implemented by the Authority.

The objective of GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements for this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Authority.



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

June 23, 2015

Heath-Newark-Licking County Port Authority  
Licking County  
851 Irving-Wick Drive West  
Heath, OH 43056-6114

To the Board of Directors:

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 **Heath-Newark-Licking County Port Authority**, Licking County, (the "Authority") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 23, 2015.

### ***Internal Control over Financial Reporting***

As part of our financial statement audit, we considered the 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 Authority's internal control. Accordingly, we have not opined on it.

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

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



...***"bringing more to the table"***

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
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Members: American Institute of Certified Public Accountants

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• Association of Certified Anti - Money Laundering Specialists •



***Compliance and Other Matters***

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

We did note a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated June 23, 2015.

***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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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



# Dave Yost • Auditor of State

**HEATH, NEWARK, AND LICKING COUNTY PORT AUTHORITY**

**LICKING 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  
OCTOBER 1, 2015**