



**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005-2004**



**Mary Taylor, CPA**  
Auditor of State



**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

City of Coshocton/Coshocton County Port Authority  
Coshocton County  
440 Whitewoman Street  
PO Box 1345  
Coshocton, Ohio 43812

To the Board of Directors:

We have audited the accompanying basic financial statements of the City of Coshocton/Coshocton County Port Authority, Coshocton County Ohio, (the Port Authority) as of and for the years ended December 31, 2005 and 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Coshocton/Coshocton County Port Authority, Coshocton County, Ohio, as of December 31, 2005 and 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2004, the Port Authority implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Also, as described in Note 9, beginning Net Assets were restated due to an overstatement of prior year liabilities.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2007, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA  
Auditor of State

March 9, 2007

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(UNAUDITED)**

The discussion and analysis of the City of Coshocton/Coshocton County Port Authority's (Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the years ended December 31, 2005 and 2004. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers are encouraged to consider information presented here as well as the basic financial statements to enhance their understanding of the Port Authority's financial performance.

**Using this Financial Report**

This annual report consists of two parts, the MD&A and the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets and a statement of cash flows. Since the Port Authority only uses one fund for its operations, the entity-wide and the fund presentation information is the same.

***Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets***

The Statement of Net Assets answers the question, "How did we do financially during 2005 and 2004?" This statement includes all assets and liabilities, both financial and capital, and current and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. The basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This change in net assets is important because it tells the reader whether, for the Port Authority as a whole, the financial position of the Port Authority has improved or diminished. However, in evaluating the overall position of the Port Authority, non-financial information such as changes in the condition of the Port Authority's capital assets will also need to be evaluated.

This section contains a condensed comparison of assets, liabilities, net assets, revenues and expenses and explanations for significant differences.

In the statement of net assets and the statement of activities, the Port Authority consists of primarily one type of activity:

***Business Type Activities*** – All activities of the Port Authority are conducted under one fund and consist of activities to market, coordinate, and develop economic growth and activity in Coshocton County.

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(UNAUDITED)**

Table 1 provides a summary of the Port Authority's net assets for 2005 and 2004. Only two years of information is presented since the Port Authority adopted GASB 34 in 2004. In future years, three years worth of information will be presented.

**Table 1**

**Net Assets**

	<u><b>2005</b></u>	<u><b>2004</b></u>
<b>Assets:</b>		
Current and other assets	\$180,032	\$133,812
Capital assets	885,877	180,280
Other non-current assets	<u>762,422</u>	<u>247,078</u>
<b>Total Assets</b>	<u><b>\$1,828,331</b></u>	<u><b>\$561,170</b></u>
<b>Liabilities:</b>		
Current liabilities	\$ 2,745	\$ 3,500
Long-term liabilities	<u>953,435</u>	<u>153,435</u>
<b>Total Liabilities</b>	<u><b>\$956,180</b></u>	<u><b>\$156,935</b></u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	\$(67,558)	\$ 26,845
Unrestricted	<u>939,709</u>	<u>377,390</u>
<b>Total Net Assets</b>	<u><b>\$872,151</b></u>	<u><b>\$404,235</b></u>

Total assets in 2005 increased by \$1,267,161. The increase is due primarily to the purchase of property held for development, which was obtained with the use of grant monies and a Rural Industrial Park Loan, which will be repaid by the City of Coshocton.

Total liabilities in 2005 increased by \$799,245. The increase is due to the borrowing of funds from the City of Coshocton and the Rural Industrial Park Loan Fund.

Table 2 shows the changes in net assets for the years ended December 31, 2005 and 2004. Total net assets increased by \$467,916 in 2005. This number reflects an increase in net assets due to increased grants received for the acquisition of property for development and additional grants to the revolving loan fund. In 2004, total net assets increased \$289,906. This increase was a result of grants received to increase the revolving loan fund, and initial grants towards property development.



**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(UNAUDITED)**

**Table 2**

**Revenues and Expenses**

	<u><b>2005</b></u>	<u><b>2004</b></u>
<b>Operating Revenues:</b>		
Local Intergovernmental Revenues	\$ 143,056	\$ 157,500
Local Foundation Contributions	71,000	181,000
Tax Revenues	7,810	0
Revolving Loan Interest	7,133	4,303
Other	<u>20,655</u>	<u>70</u>
<b>Total Operating Revenues</b>	<b>249,654</b>	<b>342,873</b>
<b>Non-Operating Revenues:</b>		
Intergovernmental Grant Revenue	800,000	167,868
Interest Income	<u>6,724</u>	<u>1,779</u>
<b>Total Non-Operating Revenues</b>	<b><u>806,724</u></b>	<b><u>169,647</u></b>
<b>Total Revenues</b>	<b>1,056,378</b>	<b>512,520</b>
<b>Operating Expenses:</b>		
Salaries and Benefits	127,710	129,763
Contractual Services	78,408	48,151
Site Development	300,000	0
Material and Supplies	5,789	10,090
Insurance	6,302	4,025
Travel and Vehicle	4,926	4,691
Rent	5,500	4,678
Utilities	7,789	4,675
Program Expense	0	3,833
Depreciation	5,299	2,719
Other	<u>5,491</u>	<u>8,208</u>
<b>Total Operating Expenses</b>	<b>547,214</b>	<b>220,833</b>
<b>Non-Operating Expenses:</b>		
Interest and Fiscal Charges	9,307	1,781
Theft Expense	<u>31,941</u>	<u>0</u>
<b>Total Non-operating Expenses</b>	<b>41,248</b>	<b>1,781</b>
<b>Total Expenses</b>	<b><u>588,462</u></b>	<b><u>222,614</u></b>
<b>Increase in Net Assets</b>	<b><u>\$467,916</u></b>	<b><u>\$289,906</u></b>

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(UNAUDITED)**

**Capital Assets**

At the end of year 2005, the Port Authority had \$885,877 invested in land held for development and office equipment and vehicles. Table 3 shows fiscal year 2005 balances compared with 2004.

**Table 3**

**Capital Assets at December 31, 2005 and 2004  
(Net of Depreciation)**

	<u>2005</u>	<u>2004</u>
Land held for development	\$862,331	\$153,435
Vehicles	21,339	21,339
Office equipment	10,225	8,225
Less: accumulated depreciation	<u>(8,018)</u>	<u>(2,719)</u>
Totals	<u>\$885,877</u>	<u>\$180,280</u>

The \$705,597 increase in capital assets in 2005 was attributable to the purchase of land for development of an ethanol plant, and purchase of a computer. Capital assets increased \$180,280 in 2004. This increase was a result of the purchase of office equipment, a vehicle, and the acceptance of property from the CIC of Coshocton. Note 3 provides capital asset activity during 2005 and 2004.

**Long-Term Debt**

The outstanding debt for the Port Authority as of December 31, 2005 was \$953,435. This balance reflected an increase of \$800,000 from the previous year's balance of \$153,435 as a result of receiving loan proceeds from the Ohio Department of Development and the City of Coshocton. The 2004 balance reflected an increase of \$153,435 over the 2003 balance as a result of assuming the loan on the property received from the CIC of Coshocton. Table 4 summarizes outstanding debt.

**Table 4**

**Debt**

	<u>2005</u>	<u>2004</u>
Loans Payable	\$953,435	\$153,435

Additional information concerning the Port Authority's debt can be found in Note 6 to the basic financial statements.

**Current Issues**

**Acquisition of Ross Property**

The Port Authority purchased the Ross property for \$700,000 in December 2005. The property is approximately 54 acres and is located in Coshocton County, in Franklin Township. The property was purchased with governmental incentive grants for the purpose of building an ethanol plant. The property will be sold to the ethanol company for a nominal amount upon satisfaction of all contractual obligations.

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(UNAUDITED)**

**Contacting the City of Coshocton/Coshocton County Port Authority's Financial Management**

This financial report is intended to provide our citizens, investors and creditors with a general overview of the Port Authority's finances and to demonstrate the Port Authority's accountability for the revenue it receives. If you have questions about this report or need additional financial information, contact the Executive Director at the City of Coshocton/Coshocton County Port Authority, 440 B, N. Whitewoman St., Coshocton, Ohio 43812.

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**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
DECEMBER 31, 2005**

	<b>2005</b>
<b>Assets:</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$177,174
JEDD Taxes Receivable	2,858
<i>Total Current Assets</i>	180,032
<i>Noncurrent Assets:</i>	
Nondepreciable Capital Assets	862,331
Depreciable Capital Assets - Net	23,546
Loans Receivable - Revolving Loan	262,422
Note Receivable - City of Coshocton	500,000
<i>Total Noncurrent Assets</i>	1,648,299
 <i>Total Assets</i>	 \$1,828,331
<b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Intergovernmental Payable	\$2,745
<i>Total Current Liabilities</i>	2,745
<i>Long-Term Liabilities:</i>	
Loans Payable	953,435
<i>Total Liabilities</i>	\$956,180
<b>Net Assets:</b>	
Invested in Capital Assets, net of related debt	(\$67,558)
Unrestricted	939,709
<i>Total Net Assets</i>	\$872,151

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

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
DECEMBER 31, 2004**

	<b>2004</b>
<b>Assets:</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$133,812
 <i>Noncurrent Assets:</i>	
Nondepreciable Capital Assets	153,435
Depreciable Capital Assets - Net	26,845
Deposit on Option to Purchase Property	5,000
Loans Receivable - Revolving Loan	242,078
 <i>Total Noncurrent Assets</i>	 427,358
 <i>Total Assets</i>	 \$561,170
 <b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Intergovernmental Payable	\$3,500
 <i>Total Current Liabilities</i>	 3,500
 <i>Long-Term Liabilities:</i>	
Loans Payable	153,435
 <i>Total Liabilities</i>	 \$156,935
 <b>Net Assets:</b>	
Invested in Capital Assets, net of related debt	\$26,845
Unrestricted	377,390
 <i>Total Net Assets</i>	 \$404,235

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

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>2005</b>
<b>OPERATING REVENUES:</b>	
JEDD Tax Revenue	\$7,810
Intergovernmental Revenues	143,056
Local Foundation Contributions	71,000
Revolving Loan Interest	7,133
Other Revenue	20,655
<b>Total Operating Revenues</b>	<b>249,654</b>
<b>OPERATING EXPENSES:</b>	
Salaries and Benefits	127,710
Contractual Services	78,408
Materials & Supplies	5,789
Site Development	300,000
Insurance and Bonding	6,302
Travel and Auto	4,926
Rent	5,500
Utilities	7,789
Depreciation	5,299
Other	5,491
<b>Total Operating Expenses</b>	<b>547,214</b>
<b>Operating Income</b>	<b>(297,560)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Intergovernmental Grant Revenues	800,000
Interest Income	6,724
Interest and Fiscal Charges	(9,307)
Theft Expense	(31,941)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>765,476</b>
<b>Change in Fund Net Assets</b>	<b>467,916</b>
Net Assets Beginning of Year	404,235
Net Assets End of Year	<b>\$872,151</b>

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

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>2004</b>
<b>OPERATING REVENUES:</b>	
Local Intergovernmental Revenues	\$157,500
Local Foundation Contributions	181,000
Revolving Loan Interest	4,303
Other Revenue	70
<b>Total Operating Revenues</b>	<b>\$342,873</b>
<b>OPERATING EXPENSES:</b>	
Salaries and Benefits	129,763
Contractual Services	48,151
Materials and Supplies	10,090
Insurance and Bonding	4,025
Travel and Auto	4,691
Rent	4,678
Utilities	4,675
Program Expense	3,833
Depreciation	2,719
Other	8,208
<b>Total Operating Expenses</b>	<b>220,833</b>
<b>Operating Income</b>	<b>122,040</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Intergovernmental Grant Revenues	167,868
Interest Income	1,779
Interest Expense	(1,781)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>167,866</b>
<b>Change in Fund Net Assets</b>	<b>289,906</b>
Net Assets Beginning of Year (Restate, See Note 9)	114,329
Net Assets End of Year	<b>\$404,235</b>

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



**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from grants and contributions	\$214,059	\$338,570
Cash received from taxes	4,952	
Cash received as revolving loan fund interest	7,133	4,303
Cash payments to employees for services and benefits	(127,710)	(128,671)
Cash payments for contractual services	(78,408)	(48,151)
Cash payments for other operating expenses	(310,899)	(45,180)
	(290,873)	120,871
<b>Net cash provided by (used for) operating activities</b>		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Loans made to other governments	(500,000)	
Loans received	500,000	
Theft expense	(31,941)	
	(31,941)	0
<b>Net cash provided by (used) for noncapital financing</b>		
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:</b>		
Revolving loan fund loans made	(42,800)	(203,000)
Revolving loan fund payments received	22,456	10,922
Proceeds from capital grants	300,000	167,867
Purchase of land and improvements	(708,896)	
Purchase of office equipment and vehicles	(2,000)	(29,564)
Proceeds from intergovernmental loans	800,000	
	368,760	(53,775)
<b>Net cash provided by (used for) financing activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	6,724	1,779
Interest paid on debt	(9,308)	(1,781)
	(2,584)	(2)
<b>Net cash provided by (used for) investing activities</b>		
<b>Net increase (decrease) in cash</b>		
	43,362	67,094
Cash and cash equivalents, beginning of year	133,812	66,718
Cash and cash equivalents, end of year	\$177,174	\$133,812
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>		
Net operating income (loss)	(\$297,560)	\$122,040
Adjustments to reconcile net operating income (loss) to net cash from operating activities:		
Depreciation	5,299	2,719
(Increase) decrease in receivables	(2,858)	
(Increase) decrease in deposits	5,000	(5,000)
Increase (decrease) in intergovernmental payables	(754)	1,112
	(\$290,873)	\$120,871
<b>Net cash provided by (used for) operating activities</b>		

Non-cash transactions:

Through the acquisition of the CIC in 2004, the Port Authority acquired land with a value of \$153,435 and the debt associated with it.

The accompanying notes are an integral part of the financial statements.

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**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

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

This summary of significant accounting policies of the City of Coshocton/Coshocton Port Authority (the Port Authority) is presented to assist in understanding the entity's financial statements. The financial statements and notes are representations of the entity's management and board who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles for governmental agencies including those principles prescribed by the Governmental Accounting Standard Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of States, Local Governments, and Not-For-Profit Organizations Receiving Federal Awards* and by The Financial Accounting Standards Board (FASB) (when applicable). The above policies have been consistently applied in the preparation of the financial statements.

**A. Reporting Entity**

The Coshocton Port Authority, Coshocton 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 pursuant to the authority of Section 4582.21 to 4582.59 of the Ohio Revised Code. The Port Authority is governed by a five-member Board of Directors. Two members of the Board are appointed by the Mayor of the City and approved by Council of the City of Coshocton. Two members are appointed by the Coshocton County Commissioners and the fifth appointment shall be approved by the four current members. The purpose of the Port Authority is to be involved in the activities that enhance, foster, aid, provide, or promote transportation, economic development, education, governmental operations, culture, or research within Coshocton County.

The Port Authority is not a component unit of the City of Coshocton or Coshocton County but the members of the Port Authority's board are appointed by the City Council and Coshocton County Board of Commissioners and the Port Authority is economically dependent on the City and County for financial support. Neither the City of Coshocton Council nor the Coshocton County Commissioners have any 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. The City of Coshocton and Coshocton County maintain their own accounting functions, are separate reporting entity, and their financial activity is not included within the financial statements of the Port Authority.

In October 2004, the Port Authority acquired the Community Improvement Corporation of Coshocton. With this acquisition, the Port Authority obtained real estate and the associated debt. See Notes 3 and 6 for further information on this activity.

The Port Authority's management believes these financial statements present all activities for which the Port Authority is financial accountable. The Port Authority was formed in January 2003.

**B. Basis of Accounting**

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. For 2004, the Port Authority implemented GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The implementation of GASB 34 had no effect on the amount of the Port Authorities net assets.

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

***B. Basis of Accounting (Continued)***

The Port Authority's financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

The Port Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

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

***D. Fund Accounting***

The Port Authority maintains an Enterprise Fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the Port Authority. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

***E. Budgetary Process***

Ohio Revised Code Section 4582.13, requires that each fund be budgeted annually. This budget includes estimated receipts and appropriations.

**1. Appropriations**

The Board annually approves appropriations and subsequent amendments. Budgetary expenses (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Port Authority reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and are not reappropriated.

CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)

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

***E. Budgetary Process (Continued)***

**4. Noncompliance**

Contrary to Ohio Rev. Code Section 5705.41(D), the Port Authority did not use the encumbrance method of accounting and had expenses which were not certified by the Treasurer or Executive Director as to the availability of funds, prior to incurring the obligation.

***F. Capital Assets***

Capital assets utilized by the Port Authority are reported on the statement of net assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are reported at their fair market values as of the date received. The Port Authority has not established a minimum capitalization threshold for capital assets. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Depreciation is computed using the straight-line method over the following useful lives:

Land	N/A
Vehicles	5 Years
Office Equipment	5 Years

***G. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, 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. The Port Authority did not have any restricted net assets for 2005 and 2004.

***H. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from primary activities. For the Port Authority, these revenues are operating grants, JEDD tax revenues, revolving loan interest and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority.

***I. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**NOTE 2 - CASH**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Port Authority treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim moneys 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 Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by 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 to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to 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 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;
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 only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**NOTE 2 - CASH - (Continued)**

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits with Financial Institutions**

At December 31, 2005 and 2004, the carrying amount of the Port Authority's deposits were \$177,174 and \$133,812, respectively. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005 and 2004, \$78,093 and \$43,140, respectively, of the Port Authority's bank balances of \$178,093 and \$143,140, respectively were exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation each year.

Custodial credit risk is the risk that, in the event of bank failure, the Port Authority's deposits may not be returned. 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 Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Port Authority.

CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2005 was as follows:

	<u>Balance 1/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2005</u>
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$153,435	\$708,896	\$0	\$862,331
<b>Total Capital Assets, Not Being Depreciated</b>	<u>153,435</u>	<u>708,896</u>	<u>0</u>	<u>862,331</u>
<b>Capital Assets, Being Depreciated:</b>				
Vehicles	21,339	0	0	21,339
Office Equipment	8,225	2,000	0	10,225
<b>Total Capital Assets, Being Depreciated</b>	<u>29,564</u>	<u>2,000</u>	<u>0</u>	<u>31,564</u>
<b>Less: Accumulated Depreciation:</b>				
Vehicles	(1,707)	(3,414)	0	(5,121)
Office Equipment	(1,012)	(1,885)	0	(2,897)
<b>Total Accumulated Depreciation</b>	<u>(2,719)</u>	<u>(5,299)</u>	<u>0</u>	<u>(8,018)</u>
Total Capital Assets Being Depreciated, Net	<u>26,845</u>	<u>(3,299)</u>	<u>0</u>	<u>23,546</u>
Capital Assets, Net	<u>\$180,280</u>	<u>\$705,597</u>	<u>\$0</u>	<u>\$885,877</u>



**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**NOTE 3 - CAPITAL ASSETS (Continued)**

Capital asset activity for the fiscal year ended December 31, 2004 was as follows:

	<u>Balance 1/1/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2004</u>
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$0	\$153,435	\$0	\$153,435
<b>Total Capital Assets, Not Being Depreciated</b>	<u>0</u>	<u>153,435</u>	<u>0</u>	<u>153,435</u>
<b>Capital Assets, Being Depreciated:</b>				
Vehicles	0	21,339	0	21,339
Office Equipment	0	8,225	0	8,225
<b>Total Capital Assets, Being Depreciated</b>	<u>0</u>	<u>29,564</u>	<u>0</u>	<u>29,564</u>
<b>Less: Accumulated Depreciation:</b>				
Vehicles	0	(1,707)	0	(1,707)
Office Equipment	0	(1,012)	0	(1,012)
<b>Total Accumulated Depreciation</b>	<u>0</u>	<u>(2,719)</u>	<u>0</u>	<u>(2,719)</u>
Total Capital Assets Being Depreciated, Net	<u>0</u>	<u>26,845</u>	<u>0</u>	<u>26,845</u>
Capital Assets, Net	<u>\$0</u>	<u>\$180,280</u>	<u>\$0</u>	<u>\$180,280</u>

**NOTE 4 - DEFINED BENEFIT PENSION PLANS**

***Pension Benefit Obligation***

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% 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 provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**NOTE 4 - DEFINED BENEFIT PENSION PLAN - (Continued)**

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. The Port Authority's contribution rate for pension benefits for 2005 was 9.55%. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Port Authority's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$15,934, \$12,279, and \$2,818, respectively; 86.54% has been contributed for 2005, 25.95% had been contributed for 2004 and 100% and been contributed for 2003. \$2,145 represents the unpaid contribution for 2005 and \$3,186 represents the unpaid contribution for 2004 and is recorded within the intergovernmental payable. The Port Authority and plan members did not make any contributions to the member-directed plan for 2005.

***Post-Employment Benefits***

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll; 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 1.00% and 6.00% annually for the next eight years and 4.00% annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109 as of December 31, 2005. The number of active participants for both plans used in the December 31, 2004 actuarial valuation was 355,287. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$4,704 and \$3,625, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**NOTE 4 - DEFINED BENEFIT PENSION PLAN - (Continued)**

***Post-Employment Benefits – (Continued)***

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**NOTE 5 - 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. There has not been a significant reduction in coverage from the prior year.

**NOTE 6 - NOTES PAYABLE**

In September 2004, the Board of Directors authorized the Treasurer and Chairman to enter into a \$153,435 loan with Ohio Heritage Bank to enable the Port Authority to acquire the former Community Improvement Corporation property. The full \$153,435 is due at maturity in September 2007. Terms of the loan will include a variable interest rate of 4.5% to 5% interest rate for 2004 and increased through 2005 to 7% with a maximum of a 25% rate based on the Wall Street Journal Prime Rate for Corporate loans.

In November 2005, the Board of Directors authorized the Executive Director enter into a \$500,000 loan to enable the Port Authority to purchase the Ross Property as an Ethanol Plant Site. Terms of the loan will include a 0% interest rate for the first five years and a 3.25% rate for years six through fifteen or until paid.

In November 2005, the Board of Directors authorized the Executive Director to enter into a \$300,000 loan from the City of Coshocton to assist in the purchase of the Ethanol Site. Terms of the loan include a 0% interest rate with repayment designated as future proceeds of a Port Authority Appalachian Regional Commission Grant once phase III of the project is completed.

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**NOTE 6 - NOTES PAYABLE – (Continued)**

Changes in note obligations of the Port Authority during the year ended December 31, 2005 consisted of the following:

	Outstanding 1/1/2005	Additions	Reductions	Outstanding 12/31/2005	Amounts Due In One Year
Ohio Heritage Bank Note	\$153,435	\$0	\$0	\$153,435	\$0
ODOD Rural Industrial Park Loan	0	500,000	0	500,000	0
City of Coshocton Loan	0	300,000	0	300,000	0
<b>Total</b>	<b>\$153,435</b>	<b>\$800,000</b>	<b>\$0</b>	<b>\$953,435</b>	<b>\$0</b>

Changes in note obligations of the Port Authority during the year ended December 31, 2004 consisted of the following:

	Outstanding 1/1/2004	Additions	Reductions	Outstanding 12/31/2004	Amounts Due In One Year
Ohio Heritage Bank Note	\$0	\$153,435	\$0	\$153,435	\$0

The annual requirements to retire debt are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$0	\$ 10,740	\$ 10,740
2007	453,435	7,384	460,819
2008	0	0	0
2009	0	0	0
2010	10,761	3,723	14,484
2011-2015	233,048	56,635	289,683
2016-2020	256,191	19,007	275,198
<b>Totals</b>	<b>\$ 953,435</b>	<b>\$ 97,489</b>	<b>\$ 1,050,924</b>

**NOTE 7 - CONCENTRATION OF CREDIT RISK**

The Port Authority maintains its activities within the Coshocton County, Ohio geographical area. The performance of its operational activities will be dependent on the performance of its tenants. The results of these companies and the operations of the Port Authority projects may be dependent on the economical conditions of the local trade area.

**NOTE 8 - PENDING LITIGATION**

The accompanying financial statements include \$31,941 of theft expense. Subsequent to December 31, 2005, it was discovered the Port Authority's credit card was used without the Board of Directors authority and bank statements were altered to remove the activity. The Port Authority is seeking full restitution.

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**NOTE 9 – RESTATEMENT**

It was determined that the deferred revenue reported in 2003 should not have been reflected on the financial statements. The following is the effect on the net assets:

Net Assets, December 31, 2003	\$ 62,877
Liability Overstatement	<u>51,452</u>
Restated Net Assets, December 31, 2003	<u>\$114,329</u>

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# Mary Taylor, CPA

Auditor of State

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

City of Coshocton/Coshocton County Port Authority  
Coshocton County  
440 Whitewoman Street  
PO Box 1345  
Coshocton, Ohio 43812

To the Board of Directors:

We have audited the basic financial statements of the City of Coshocton/Coshocton County Port Authority, Coshocton County, Ohio, (the Port Authority) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March 9, 2007, wherein we noted the Port Authority adopted GASB 34 and restated beginning Net Assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-006 and 2005-007.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Port Authority's management dated March 9, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-005. In a separate letter to the Port Authority's management dated March 9, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Board of Directors. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

March 9, 2007



**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2005-001**

**Findings for Recovery**

The Coshocton Port Authority Board of Directors approved a Visa credit card for use by the Executive Director, Edmund Flynn and the Administrative Assistant, Amy McNichols. The Board and Treasurer authorized payment for charges on the credit card for payments made February 4, 2005 for \$1,089.85 and March 3, 2005 for \$537.33. Thirteen unauthorized subsequent phone payments were made totaling \$60,925.60 with an additional \$2,874.98 in charges accumulated on the credit card that had not been paid. None of these payments were authorized by the Board or Treasurer, nor were they for purposes related to his work with the Port Authority. The unauthorized charges consisted of cash advances, medical insurance payments, college tuition payments, jewelry, flowers, propane, meals and travel expenses. The bank statements showing the payments and reduced account balances were altered to remove the activity before being submitted to the Port Authority. As a result, \$63,800.58 of charges occurred by unauthorized use of the Visa credit card.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Edmund Flynn in the amount of \$63,800.58 and in favor of the Coshocton Port Authority, in the amount of \$63,800.58.

**FINDING NUMBER 2005-002**

**Findings for Recovery**

The Coshocton Port Authority Board of Directors approved Edmund Flynn's salary at \$70,000 beginning July 1, 2004 (\$55,380 had been his previous salary since 2003). The motion to approve this increase was not approved until November 1, 2004 with a lump sum retroactive pay to be given. The payroll check issued on November 3, 2004 included \$5,623.10 in retroactive pay; however, the lump sum retroactive pay amount should have been \$562.31 for 9 pays which equals \$5,060.79. As a result, an overpayment of \$562.31 occurred.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Edmund Flynn in the amount of \$562.31 and in favor of the Coshocton Port Authority, in the amount of \$562.31.

**FINDING NUMBER 2005-003**

**Findings for Recovery**

The Coshocton Port Authority Board of Directors approved Amy McNichols's salary at \$30,000 effective May 31, 2004. There was no official Board action to approve an increase in her pay through her termination date. However, payroll checks issued on April 4, 2005 through May 2, 2005, including 2 weeks of severance pay, were paid with a 7% increase resulting in four checks including an additional \$80.77 per check. As a result, an overpayment of \$323.08 occurred.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Amy McNichols-Flynn in the amount of \$323.08 and in favor of the Coshocton Port Authority, in the amount of \$323.08

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

**FINDING NUMBER 2005-004**

**Noncompliance Citations**

**Ohio Rev. Code Section 5705.41(D)** states in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the Fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

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 that both at the time that the contract or order was made ("then"), and at the time that the Fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Port Authority can authorize the drawing of a warrant for the payment of the amount due. The Port Authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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 expenses by the Port Authority.

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 Authority may also make expenses and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal officer 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.

None of the expense transactions tested were certified by the Treasurer (the Port Authority's fiscal officer) prior to incurring the commitment and none of the exceptions noted above were utilized. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

#### **FINDING NUMBER 2005-004 (Continued)**

Unless the exceptions noted above are 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 Authority's funds exceeding budgetary spending limitations, we recommend the Fiscal officer certify the funds are or will be available prior to obligation by the Port Authority. When prior certification is not possible, "then and now" certification should be used.

We recommend the Port Authority 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 Authority 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.

#### **FINDING NUMBER 2005-005**

##### **Noncompliance Citation**

Provisions of the Ohio Revised Code address circumstances in which a public official or employee is prohibited from using the authority or influence of his office or employment to secure anything of value that substantially and improperly influences the official or employee in the exercise of his duties, and from having an interest in a public contract.

**Ohio Rev. Code Section 102.03(D)** provides that no public official or employee shall use or authorize the use of the authority or influence of his office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

**Ohio Rev. Code Section 2921.42 (A)(1)** states that no public official knowingly authorize, or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

**Ohio Rev. Code Section 2921.42 (A)(4)** states that no public official shall knowingly have an interest in the profits or benefits of public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

Executive Director, Edmund Flynn and his wife Amy Flynn, operating as Flynn Consulting, contracted with the Coshocton Airport Authority to market an air show without the authority of the Port Authority Board. The Port Authority had signed and granted a Revolving Loan to the Airport Authority in the amount of \$60,000 during this same time. No evidence was presented to indicate that the Board members were aware of the contract for outside consulting by Mr. Flynn under the name of Flynn Consulting.

This matter involving Flynn Consulting will be referred to the Ohio Ethics Commission.

### **FINDING NUMBER 2005-006**

#### **Reportable Condition**

The following issues were noted during the testing of the Port Authority's financial statements:

- The Treasurer should perform a monthly reconciliation of the bank and book balances. There was no evidence to substantiate the review of this reconciliation by either the Board or one of its officers. The lack of monitoring the bank to book reconciliation presents internal control issues relative to accountability of account balances, as well as an increased risk of errors occurring without timely detection.
- Monthly financial reports including a Statement of Revenues and Expenses and a Balance Sheet are reviewed monthly by the Board but a Budget vs. Actual Statement of Financial Activity, is not presented to the Board for their review and approval.
- Prior to January of each fiscal year, the Port Authority adopted a budget for its activities for the fiscal year. However, there was no evidence to substantiate that the budget estimates were posted to the accounting system by the fiscal officer, or that the Board of Directors monitored the actual receipts and expenses against the budget.

To improve internal controls, the Board should expand their fiscal monitoring procedures to include the following:

- The monthly bank to book reconciliation should be monitored by the Board or one of its officers and be evidenced by the signature of the person monitoring the procedure. The reconciliation should also be formally accepted by the Board in the minutes.
- The Treasurer or Executive Director should provide the Board with the various financial reports of the Port Authority including a Statement of Revenues and Expenses, Balance Sheet, Budget vs. Actual Statement of Financial Activity, and a Listing of Monthly Expenses. The Board should document receipt and review of these reports within the minutes. Also, a designated board member should sign (or initial) and date these reports as evidence of review. This will help ensure that the proper monitoring of the Port Authority's financial activity is taking place.
- The Port Authority's budget should be adopted for which adherence is monitored and evaluated. Budget versus actual information should be recorded on the accounting system and provided to the Board of Directors on a continuing basis to keep them apprised of the Port Authority's financial situation and to determine if amendments are necessary.

### **FINDING NUMBER 2005-007**

#### **Reportable Noncompliance**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. [Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985)].

**FINDING NUMBER 2005-007 (Continued)**

Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials may liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074. The Port Authority Board of Directors has adopted a credit card policy but it does not specifically address the authorization procedures and limits of their Visa credit card.

The Board should adopt a more detailed written credit card policy, as evidenced in the minute records, which outlines the following:

- Specific number of credit cards to be issued
- Maximum credit card limit to be obtained on each card
- Authorized individuals to make credit card purchases
- Procedures to safeguard credit cards when not in use
- Purchases for which credit cards may be used
- Individuals required to monitor and review credit card purchases for propriety
- Accumulation and use of "Frequent Flyer Miles"
- Original sales slips/receipts

This will help detect circumstances where the Port Authority credit card may be misused and help ensure that use is for a proper public use and appropriately accounted for.

**Officials' Response:** The Coshocton City/Coshocton County Port Authority has already taken some steps to address the findings in the audit. Additional steps will be taken in the coming weeks to further address the findings. I'm hopeful that your staff will continue to assist this organization as our team works to enhance the port authority's policies, procedures and accountabilities. I am also hopeful that your staff will continue to assist in addressing past and present concerns.

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY  
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	Ohio Rev. Code Section 5705.41(D) - expenses were not properly certified	No	Not Corrected - Refer to Finding 2005-004.
2003-002	Ohio Rev. Code Section 5705.41 (B) – expenses exceeded with appropriations	No	Not Corrected – Refer to Management Letter



**Mary Taylor, CPA**  
Auditor of State

**CITY OF COSHOCTON/COSHOCTON COUNTY PORT AUTHORITY**

**COSHOCTON 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  
APRIL 10, 2007**