



**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008



Mary Taylor, CPA
Auditor of State

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Coshocton Port Authority
Coshocton County
106 South Fourth Street
Coshocton, Ohio 43812

To the Board of Directors:

We have audited the accompanying financial statements of the Coshocton Port Authority, Coshocton County, Ohio (the Port Authority), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Coshocton Port Authority, Coshocton County, Ohio, as of December 31, 2009 and 2008, and the respective changes in its financial position and its cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2010, 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.

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

September 13, 2010

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

The discussion and analysis of the Coshocton Port Authority's (Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the years ended December 31, 2009 and 2008. 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 would be 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 2009 and 2008?" 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.

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

Table 1 provides a summary of the Port Authority's net assets for 2009, 2008 and 2007.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets:			
Current and other assets	\$575,534	\$546,116	\$278,353
Capital assets	308,907	309,728	311,823
Other non-current assets	610,609	646,689	615,603
Total Assets	<u>\$1,495,050</u>	<u>\$1,502,533</u>	<u>\$1,205,779</u>
Liabilities:			
Current Liabilities	\$4,839	\$9,595	\$14,038
Long-term liabilities	651,511	657,012	657,013
Total Liabilities	<u>\$656,350</u>	<u>\$666,607</u>	<u>\$671,051</u>
Net Assets			
Invested in capital assets, net of related debt	(\$342,604)	(\$347,285)	(\$345,190)
Unrestricted	886,613	952,491	879,918
Restricted	294,691	230,720	0
Total Net Assets	<u>\$838,700</u>	<u>\$835,926</u>	<u>\$534,728</u>

Total assets decreased by \$7,483 in 2009. The decrease is the result of cash being used to pay down debt and accrued expenses, offset by an increase in fund assets of \$2,774 for the year. In 2008, the total assets increased by \$296,754 due to contributions from the foundation.

Total liabilities decreased in 2009 by \$10,257. The decrease is due to decreases in payroll tax accruals related to normal timing differences between years, and payment of \$5,501 in long term debt. In 2008, total liabilities decreased by \$4,444 mainly due to the timing of payroll at year end.

Table 2 shows the changes in net assets for the years ended December 31, 2009 and 2008. Total net assets increased by \$2,774 in 2009, compared to an increase of \$301,198 in 2008. This is primarily the result of reduced grant and tax revenues, offset by a reduction in expenses. In 2008 the net assets increased by \$301,198 mainly due to restricted monies for the revolving loans.

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

(Table 2)

Revenues and Expenses

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating Revenues:			
JEDD Revenues	\$22,243	\$57,734	\$61,370
Intergovernmental Revenues	90,000	116,340	402,500
Fee Revenue	100	200	10,500
Foundation and Corporate Contribution	69,750	330,995	6,750
Revolving Loan Interest	4,915	5,655	9,607
Land Rent	1,497	1,493	1,174
Other Revenue	50	363	6,201
Total Operating Revenues	188,555	512,780	498,102
Operating Expenses:			
Salaries and Benefits	123,344	133,382	101,351
Contractual Services	31,700	38,282	50,633
Lease Subsidies	3,000	0	
Site Development		0	0
Materials and Supplies	5,392	3,643	4,794
Insurance	5,007	6,405	9,000
Travel and Vehicle	2,581	3,766	2,451
Rent	3,300	3,300	3,963
Utilities	5,498	5,074	6,098
Depreciation	2,095	2,095	2,095
Other	7,236	3,334	3,508
Total Operating Expenses	189,153	199,281	183,893
Operating Income (Loss)	(598)	313,499	314,209
Non-Operating Revenues (Expenses):			
Intergovernmental grant expense			
Interest Income	6,255	6,105	4,208
Contribution to local foundation		(10,000)	
Interest and Fiscal Charges	(7,668)	(8,430)	(14,147)
Loan losses	0	(281)	(77,371)
Loss on sale of assets			(300,000)
Theft Loss Recovery (Expense)	4,785	305	17,715
Total Non-operating Revenues (Expenses)	3,372	(12,301)	(369,595)
Change in Fund Net Assets	2,774	301,198	(55,386)
Net Assets, Beginning of Year	835,926	534,728	590,114
Net Assets, End of Year	838,700	835,926	534,728

**COSHOCTON PORT AUTHORITY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

Capital Assets

At the end of year 2009, the Port Authority had \$308,907 invested in land held for development and office equipment. Table 3 shows fiscal year 2009 balances compared with 2008 and 2008 compared to 2007.

(Table 3)

**Capital Assets
(Net of Depreciation)**

	2009	2008	2007
Land held for development	\$308,135	\$308,135	\$308,135
Office equipment	11,999	10,725	10,725
Less: accumulated depreciation	(11,227)	(9,132)	(7,037)
Totals	\$308,907	\$309,728	\$311,823

The \$821 decrease in capital assets in 2009 was attributable primarily to depreciation, offset by a \$1,274 purchase of office equipment. The \$2,095 decrease in capital assets in 2008 was attributable primarily to depreciation. Note 3 reflects capital asset activity during 2009 and 2008.

Long-Term Debt

The outstanding debt for the Port Authority as of December 31, 2009, 2008 and 2007 was \$651,511, \$657,012, and \$657,013 respectively. The decrease was the result of making a \$5,501 payment on the bank loan balance upon renewing the loan in 2009. No payments were made on the loan in 2008. Table 4 summarizes outstanding debt.

(Table 4)

Debt

	2009	2008	2007
Loans Payable	\$651,511	\$657,012	\$657,013

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

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

Current Issues

Loan Losses

No loan losses were recognized during 2009. During 2008, a small, remaining loan balance of \$281 was written off as uncollectible. The nature of the revolving loan fund involves making higher risk loans in an effort to stimulate economic activity in the community and create jobs. All remaining loans are currently active and up to date. One new loan for \$8,000 was made during 2009.

Contacting the Coshocton 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 Coshocton Port Authority, 106 South Fourth Street, Coshocton, Ohio 43812.

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**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
ASSETS		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$569,238	\$537,769
JEDD Taxes Receivable	6,296	8,347
Total Current Assets	575,534	546,116
Noncurrent Assets:		
Depreciable Capital Assets - Net	772	1,593
Loans Receivable - Revolving Loan Fund	110,609	146,689
Note receivable - City of Coshocton	500,000	500,000
Nondepreciable Capital Assets	308,135	308,135
Total Noncurrent Assets	919,516	956,417
Total Assets	\$1,495,050	\$1,502,533
LIABILITIES		
Current Liabilities:		
Accrued payroll	\$1,258	\$0
Accounts payable	1,090	815
Intergovernmental Payables	2,247	4,210
Accrued interest	244	4,570
Total Current Liabilities	4,839	9,595
Long Term Liabilities:		
Loans Payable	651,511	657,012
Total Liabilities	\$656,350	\$666,607
NET ASSETS		
Invested in Capital Assets, net of related debt	(\$342,604)	(\$347,285)
Restricted	294,691	230,720
Unrestricted	886,613	952,491
Total Net Assets	\$838,700	\$835,926

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

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 2009 AND 2008**

	2009	2008
OPERATING REVENUES:		
JEDD Tax Revenue	\$22,243	\$57,734
Intergovernmental Revenues	90,000	116,340
Fee Revenue	100	200
Local Foundation and Corporate Contributions	69,750	330,995
Revolving Loan Interest	4,915	5,655
Land Rent	1,497	1,493
Other Revenues	50	363
Total Operating Revenue	188,555	512,780
OPERATING EXPENSES:		
Salaries and Benefits	123,344	133,382
Contractual Services	31,700	38,282
Lease subsidies	3,000	0
Insurance and Bonding	5,007	6,405
Travel and Auto	2,581	3,766
Materials and Supplies	5,392	3,643
Rent	3,300	3,300
Utilities	5,498	5,074
Other	7,236	3,334
Depreciation	2,095	2,095
Total Operating Expense	189,153	199,281
Operating Income (Loss)	(598)	313,499
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	6,255	6,105
Contribution to local foundation	0	(10,000)
Interest and Fiscal Charges	(7,668)	(8,430)
Loan losses	0	(281)
Theft loss recovery	4,785	305
Total Non-Operating Revenues (Expenses)	3,372	(12,301)
Change in Fund Net Assets	2,774	301,198
Net Assets, Beginning of Year	835,926	534,728
Net Assets, End of Year	\$838,700	\$835,926

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

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grants and contributions	\$159,750	\$447,335
Cash received from taxes	24,294	75,060
Cash received from revolving loan fund interest	4,915	5,655
Cash received from rent and other	1,647	2,056
Cash payments to employees for services and benefits	(122,086)	(136,457)
Cash payments for contractual services	(31,700)	(38,282)
Cash payments for other operating expenses	(33,702)	(31,460)
	3,118	323,907
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Non-governmental grants or contributions made	0	(10,000)
Theft loss recovery (expense)	4,785	305
	4,785	(9,695)
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Purchase of office equipment and vehicles	(1,274)	0
Proceeds from (payments on) loans payable	(5,501)	1,323
	(6,775)	1,323
CASH FLOWS FROM INVESTING ACTIVITIES:		
Revolving Loan Fund loans made	(8,000)	(65,000)
Revolving Loan Fund payments received	44,080	33,634
Interest on investments	6,255	6,105
Interest paid on debt	(11,994)	(5,185)
	30,341	(30,446)
Net increase (decrease) in cash	31,469	285,089
CASH AND EQUIVALENTS, beginning of year	537,769	252,680
CASH AND EQUIVALENTS, end of year	\$569,238	\$537,769
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net operating income	(\$598)	\$313,499
Adjustments to reconcile net operating income to net cash from operating activities:		
Depreciation	2,095	2,095
(Increase) decrease in receivables	2,051	17,326
Increase (decrease) in accrued payroll	1,258	(3,075)
Increase (decrease) in accounts payable	275	815
Increase (decrease) in intergovernmental payables	(1,963)	(6,753)
	\$3,118	\$323,907

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

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**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the 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.

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.

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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.

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 had net restricted assets of \$294,691 for 2009 and \$230,720 for 2008.

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.

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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);

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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, 2009 and 2008, the carrying amount of the Port Authority's deposits were \$569,238 and \$537,769, respectively and the bank balance was \$569,811 and \$538,206, respectively. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009 and 2008, \$319,811 and \$288,206, respectively, of the Port Authority's bank balances, were exposed to custodial risk as discussed below, while \$250,000 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.

Segregated Accounts

The Port Authority maintains a separate account for holding of the Revolving Loan Fund. The balance consists of amounts not yet loaned and amounts repaid from borrowers. The account is interest bearing, and interest earned on the account and from loans is transferred periodically to the general operating account, as all earnings are available for the operating expenses of the Port Authority. The balance was \$251,848 and \$199,455 at December 31, 2009 and 2008, respectively and are included in the Deposits disclosure above.

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2009 was as follows:

	<u>Balance 1/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2009</u>
Capital Assets, Not Being Depreciated:				
Land	\$308,135	\$0	\$0	\$308,135
Total Capital Assets, Not Being Depreciated	<u>308,135</u>	<u>0</u>	<u>0</u>	<u>308,135</u>
Capital Assets, Being Depreciated:				
Office Equipment	10,725	1,274	0	11,999
Total Capital Assets, Being Depreciated	<u>10,725</u>	<u>1,274</u>	<u>0</u>	<u>11,999</u>
Less: Accumulated Depreciation:				
Office Equipment	(9,132)	(2,095)	0	(11,227)
Total Accumulated Depreciation	<u>(9,132)</u>	<u>(2,095)</u>	<u>0</u>	<u>(11,227)</u>
Total Capital Assets Being Depreciated, Net	<u>1,593</u>	<u>(821)</u>	<u>0</u>	<u>772</u>
Capital Assets, Net	<u>\$309,728</u>	<u>(\$821)</u>	<u>\$0</u>	<u>\$308,907</u>

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 3 - CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended December 31, 2008 was as follows:

	<u>Balance 1/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2008</u>
Capital Assets, Not Being Depreciated:				
Land	\$308,135	\$0	\$0	\$308,135
Total Capital Assets, Not Being Depreciated	<u>308,135</u>	<u>0</u>	<u>0</u>	<u>308,135</u>
Capital Assets, Being Depreciated:				
Office Equipment	10,725	0	0	10,725
Total Capital Assets, Being Depreciated	<u>10,725</u>	<u>0</u>	<u>0</u>	<u>10,725</u>
Less: Accumulated Depreciation:				
Office Equipment	(7,037)	(2,095)	0	(9,132)
Total Accumulated Depreciation	<u>(7,037)</u>	<u>(2,095)</u>	<u>0</u>	<u>(9,132)</u>
Total Capital Assets Being Depreciated, Net	<u>3,688</u>	<u>(2,095)</u>	<u>0</u>	<u>1,593</u>
Capital Assets, Net	<u>\$311,823</u>	<u>(\$2,095)</u>	<u>\$0</u>	<u>\$309,728</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 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional pension 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 publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800)-222-7377.

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 4 - DEFINED BENEFIT PENSION PLAN - (Continued)

For the year ended December 31, 2009, members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10 percent of their annual covered salary to fund pension obligations. The Port Authority's contribution rate for pension benefits for 2009 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Port Authority's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$12,298, \$15,088 and \$10,746, respectively. The full amount has been contributed for 2009, 2008 and 2007.

Post-Retirement Benefits

Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare 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.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional pension and combined plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Funding Policy – the post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll. Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$12,298, \$15,088, and \$10,746, respectively, the full amount has been contributed for 2009, 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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
- Directors and Officers

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.

The Port Authority contracts with Coshocton County Commissioners for hospital/medical, dental, and life insurance for the Executive Director.

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 loan periodically matures and has been renewed with accrued interest being added to the original balance. In December 2009, the loan was again renewed for a one-year period with principal payments of \$5,501 being made towards the principal balance. The loan is for a term of one year with an interest rate of 5% and has a balance of \$151,511.

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. Payments are expected to be made from the proceeds of its note receivable from the City of Coshocton. See Note 9 below.

Changes in note obligations of the Port Authority during the year ended December 31, 2009 consisted of the following:

	Outstanding 1/1/2009	Additions	Reductions	Outstanding 12/31/2009	Amounts Due In One Year
Ohio Heritage Bank Note	\$157,012	\$0	(\$5,501)	\$151,511	\$151,511
ODOD Rural Industrial Park Loan	500,000	0	0	500,000	500,000
Total	\$657,012	\$0	(\$5,501)	\$651,511	\$651,511

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 6 - NOTES PAYABLE – (Continued)

Changes in note obligations of the Port Authority during the year ended December 31, 2008 consisted of the following:

	Outstanding 1/1/2008	Additions	Reductions	Outstanding 12/31/2008	Amounts Due In One Year
Ohio Heritage Bank Note	\$157,012	\$0	\$0	\$157,012	\$157,012
ODOD Rural Industrial Park Loan	500,000	0	0	500,000	0
Total	\$657,012	\$0	\$0	\$657,012	\$157,012

The annual requirements to retire debt are as follows:

Year	Principal	Interest	Total
2010	\$162,272	\$3,723	\$165,995
2011	43,859	14,077	57,936
2012	45,193	12,743	57,936
2013	46,568	11,369	57,937
2014	47,984	9,952	57,936
2015-2019	262,721	26,961	289,682
2020	42,914	538	43,452
Totals	\$651,511	\$79,363	\$730,874

NOTE 7 – RECEIVABLES

Receivables at December 31, 2009 and 2008 consisted of loans and intergovernmental receivables arising from income taxes. All receivables are deemed collectible in full.

NOTE 8 - 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 9 - CONTINGENCIES

As discussed in Note 6, the Port Authority is obligated on a note payable to the Ohio Department of Development. The proceeds of this loan were, in turn, loaned to the City of Coshocton for use in making infrastructure improvements in connection with the development of an ethanol plant. Once the ethanol plant began operation, the City anticipated making payments on the Port Authority note from lease payments and other utility charges received from the ethanol plant. As of the date of this report, the ethanol plant is not in production. The inability of the plant to make certain lease or utility payments to the City of Coshocton could restrict the City's ability to repay the Port Authority, which could affect the Port Authority's ability to repay its obligation to the Ohio Department of Development. Both the Port Authority and the City believe that sufficient guarantees were made to protect their positions on the loan.



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*

Coshocton Port Authority
Coshocton County
106 South Fourth Street
Coshocton, Ohio 43812

To the Board of Directors:

We have audited the financial statements of Coshocton Port Authority, Coshocton County, Ohio, (the Port Authority as of and for the year ended December 31, 2009 and 2008, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated September 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Port Authority's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Port Authority's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Port Authority's management in a separate letter dated September 13, 2010.

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

We intend this report solely for the information and use of management the Port Authority's Board of Directors, and others within the Port Authority. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 13, 2010

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Finding for Recovery Repaid Under Audit

Per the December 13, 2007 minutes the Coshocton Port Authority Board of Directors approved a housing allowance for Thomas M. Justice, Executive Director, at \$400 per month, until a maximum of \$4,800 was reached, beginning March 1, 2007, as part of his compensation package. In 2007, Mr. Justice was paid \$4,400 for this housing allowance. In 2008, Mr. Justice was paid an additional \$600 toward the housing allowance. As a result, an overpayment of \$200 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 Thomas M. Justice in the amount of \$200 and in favor of the Coshocton Port Authority, in the amount of \$200.

On August 15, 2010, Thomas M. Justice, Former Executive Director, paid the finding for recovery in full to the Coshocton Port Authority (check no. 1359) and it was subsequently deposited and recorded by the Coshocton Port Authority on August 17, 2010 (receipt no. 230420).

Officials' Response: The Port Authority wishes to clarify that this finding was the result of a clerical oversight. The intention was to make the housing allowance payments over a 12-month period, from the second half of February, 2007 until the first half of February, 2008. The payments were being made in \$200 increments with each pay. However, one month had a third pay due to the bi-weekly pay cycle, resulting in one additional payment in 2007 which was overlooked at the end of the 12-month period in 2008. Neither Mr. Justice, nor anyone else, was aware of this small error until discovered, at which time it was immediately corrected by the repayment mentioned above.

**COSHOCTON PORT AUTHORITY
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Ohio Rev. Code Section 5705.41 (D) – For 2006 – 100% and 2007 – 17% of the expenditures tested were not certified prior to incurring the obligation.	Partially Corrected	Refer to the Management Letter



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 4, 2010**