HEATH-NEWARK-LICKING COUNTY
PORT AUTHORITY
HEATH, OHIO

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Heath-Newark-Licking County Port Authority, Licking County, prepared by S.R. Snodgrass, A.C., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

August 1, 2011

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HEATH-NEWARK-LICKING COUNTY
PORT AUTHORITY
HEATH, OHIO

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SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Heath-Newark-Licking County Port Authority
Heath, Ohio

We have audited the accompanying financial statements of the Heath-Newark-Licking County Port Authority (the "Authority") as of and for the year ended December 31, 2009. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Heath-Newark-Licking County Port Authority as of December 31, 2009 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2011 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 2-8 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

S. R. Snodgrass, A. C.

S.R. Snodgrass, A.C.
June 29, 2011

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY

HEATH, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

The discussion and analysis of the Heath-Newark-Licking County Port Authority, Licking County (the Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- The total net assets of the Port Authority increased $182,886.

- Total operating and nonoperating revenues for 2009 were $5,499,717. This represents an increase of $1,136,925 or 17% from 2008.

- Total outstanding debt during the year increased $1,876,876 to $2,789,137 which is attributed to the Boeing Premises Repair loan issued during 2009.

- The overall cash position of the Port Authority decreased $1,696,546.

Using this Annual Financial Report

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

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

Reporting the Port Authority as a Whole

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

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during 2009?" These statements present all assets and liabilities both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private – sector companies. The accrual basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

Reporting the Port Authority's Most Significant Fund

Proprietary Funds

The Port Authority maintains one proprietary fund, an enterprise fund. The Port Authority uses its enterprise fund to account for its water and sewer functions.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Summary of Net Assets

The table below provides a summary of the Port Authority's net assets for 2009 and 2008:

	2009	2008
Assets		
Current and other assets	$ 9,737,520	$ 11,586,866
Noncurrent assets	492,597	496,719
Capital assets	17,453,741	14,054,920
Total assets	27,683,858	26,138,505
Liabilities		
Current liabilities	1,323,264	1,950,223
Noncurrent liabilities	2,143,722	154,296
Total liabilities	3,466,986	2,104,519
Net Assets		
Invested in capital assets, net of related debt	14,664,604	13,142,659
Unrestricted	9,552,268	10,891,327
Total net assets	$ 24,216,872	$ 24,033,986

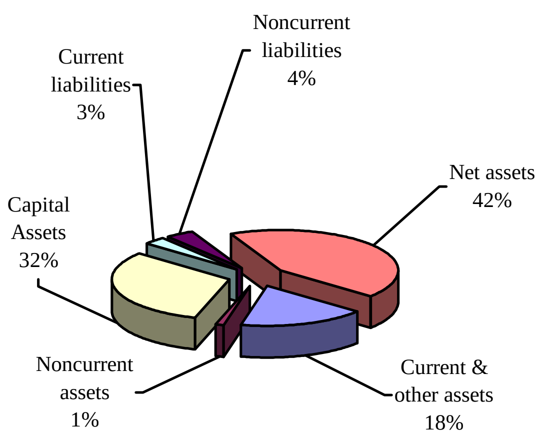
Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the Port Authority's assets exceeded liabilities by $20,749,886.

Capital assets represent the largest portion of the Port Authority's net assets. At year-end, capital assets represented 63% of total assets. Capital assets include land, land improvements, infrastructure, furniture and fixtures, machinery and equipment and vehicles. Capital assets, net of related debt to acquire these assets at December 31, 2009, were $14,664,604. These capital assets are used to provide services to citizens and are not available for future spending. Although the Port Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

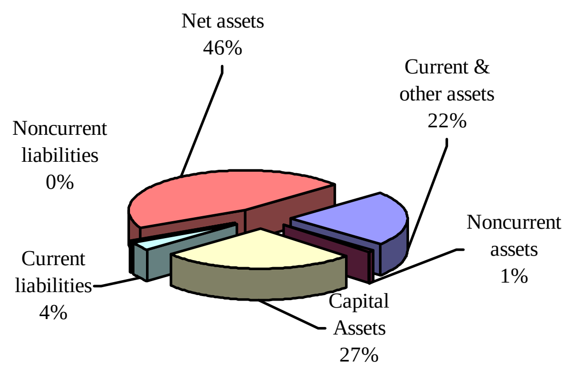
Total net assets of the Port Authority increased $182,886 and the following graph presents the breakdown of the Statement of Net Assets:

HEATH-NEWARK-LICKING COUNTYPORT AUTHORITY
HEATH, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

Net Assets - 2009



Net Assets - 2008



The balance of unrestricted net assets of $9,142,832 may be used to meet the Port Authority's ongoing obligations.

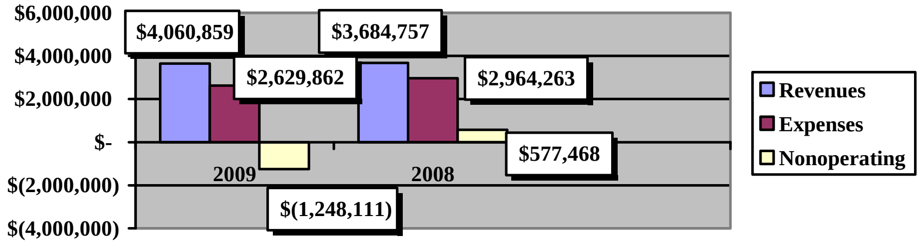
The following table shows the changes in net assets for years 2009 and 2008.

	2009	2008
Revenues:		
Charges for Services	$ 4,040,024	$ 3,660,680
Other Operating Revenues	20,835	24,077
Total Revenues	4,060,859	3,684,757
Expenses:		
Personal Services	715,349	678,123
Supplies and Materials	71,664	82,299
Contractual Services	1,103,936	1,529,624
Depreciation	738,913	674,217
Total Expenses	2,629,862	2,964,263
Operating Income (Loss)	1,430,997	720,494
Nonoperating Revenues (Expenses):		
Insurance Recovery	182,791	387,671
Intergovernmental Grants	962,501	40,417
Investment Earnings	125,719	234,947
Gain on Disposal of Capital Assets	167,847	15,000
Capital Asset Donation	(2,613,729)	-
Interest and Fiscal Services	(62,275)	(65,555)
Other Nonoperating expenses	(10,965)	(35,012)
Total Nonoperating Revenues (Expenses)	(1,248,111)	577,468
Changes in net assets	182,886	1,297,962
Beginning Net Assets	24,033,986	22,736,024
Ending Net Assets	$ 24,216,872	$ 24,033,986

Operating revenues increased $376,102 and expenditures decreased $334,401, respectively, from 2008. Nonoperating expenses increased significantly from 2008 which is primarily attributed to the Capital Asset Donation of $2,613,729 to the City of Heath. The Port Authority finalized construction of the James Parkway Bridge in 2009 to provide better access and throughways for the Port Authority. Responsibility for maintenance on the infrastructure related to the construction of the bridge shall be maintained by the City of Heath. Therefore, this amount is shown as a capital asset donation.

The graph below presents the activity regarding the change in net assets for 2009 and 2008.

Revenues and Expenses



Budgeting Highlights

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

Capital Assets and Debt Administration

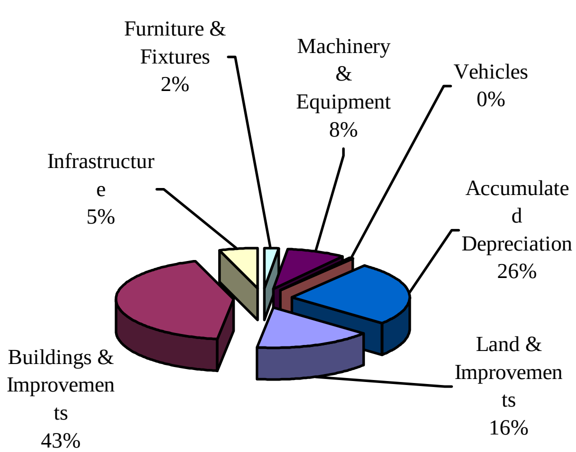
Capital Assets

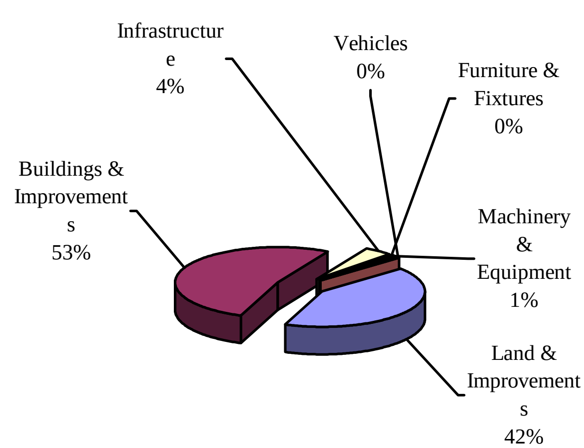
At the end of 2009, the Port Authority had $17,453,741 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. The following table shows fiscal 2009 balances compared to 2008:

Capital Assets at December 31

	2009	2008
Land and Land Improvements	$ 5,782,723	$ 5,901,712
Buildings and Improvements	15,129,078	12,450,979
Infrastructure	1,900,819	1,015,870
Furniture and Fixtures	707,307	680,785
Machinery and Equipment	2,906,651	2,432,140
Vehicles	178,370	178,370
Less: Accumulated Depreciation	(9,151,207)	(8,604,936)
Totals	$ 17,453,741	$ 14,054,920

The following graph presents the categories of the Port Authority's capital assets:





The Port Authority's largest capital asset category is buildings and improvements and represents 43% of total capital assets for 2009.

See Note 4 to the basic financial statements for more detail on the Port Authority's capital assets.

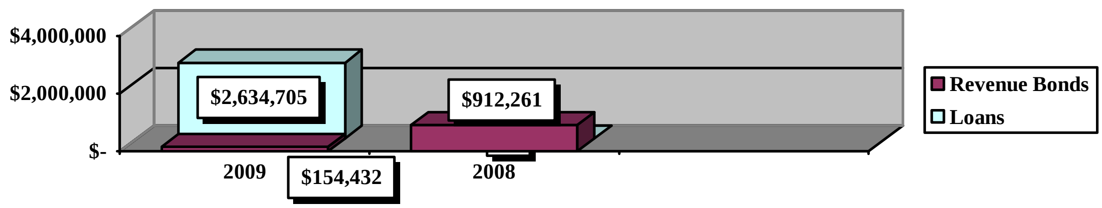
Debt Administration

The Port Authority had the following long-term obligations outstanding at December 31, 2009 and 2008:

	2009	2008
Revenue Bonds	$ 154,432	$ 912,261
Boeing Repair Loan	2,634,705	-
Total long-term obligations	2,789,137	912,261
Less: Due within one year	(645,415)	(757,965)
Net long-term obligations	$ 2,143,722	$ 154,296

A breakdown of the Port Authority's long-term obligations is as follows for 2009 and 2008:

Long-Term Obligations at December 31



See Note 7 to the basic financial statements for more detail on the Port Authority's long-term debt obligations.

Economic Conditions and Outlook

- Net assets are expected to increase in future years as the Port Authority continues to increase expansion of the base further increasing the local workforce.

- The decrease in cash from 2008 is primarily attributed to the Port Authority implementing its capital improvement plan for various capital related projects. This includes the construction of the James Parkway Bridge, roof replacements, and also Boeing premises repair projects. Decrease in cash also associated with less cash available to invest and also overall interest rates.

Contacting the Port Authority's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Port Authority's finances and to show the Port Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact Erin Grigsby, Finance Manager, Heath-Newark-Licking County Port Authority, 851 Irving-Wick Drive West, Heath, Ohio 43056-6114.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY

HEATH, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

ASSETS	
Current assets:	
Cash and cash equivalents	$ 4,533,144
Investments	5,087,259
Receivables	
Accounts	867
Interest	13,862
Prepaid items	102,388
Total current assets	9,737,520
Noncurrent assets:	
Loan receivable	492,597
Capital assets:	
Land	5,782,723
Depreciable capital assets, net	11,671,018
Total capital assets	17,453,741
Total noncurrent assets	17,946,338
Total assets	27,683,858
LIABILITIES	
Current liabilities:	
Accounts payable	114,901
Accrued wages and benefits	27,654
Intergovernmental payable	88,700
Due to others	14,064
Accrued interest payable	5,208
Unearned revenue	423,524
Compensated absences payable	3,798
Revenue Bond -current	154,432
Boeing loan – current	490,983
Total current liabilities	1,323,264
Noncurrent liabilities:	
Boeing loan	2,143,722
Total noncurrent liabilities	2,143,722
Total liabilities	3,466,986
Net assets:	
Invested in capital assets, net of related debt	14,664,604
Unrestricted	9,552,268
Total net assets	$24,216,872

See accompanying notes to the basic financial statements.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY

HEATH, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

Operating Revenues:	
Charges for services – building leases	$ 4,040,024
Other operating revenues	20,835
Total operating revenues	4,060,859
Operating Expenses:	
Personal services	715,349
Materials and supplies	71,664
Contractual services	1,103,936
Depreciation	738,913
Total operating expenses	2,629,862
Operating income	1,430,997
Nonoperating Revenues (Expenses):	
Insurance recovery	182,791
Intergovernmental grants	962,501
Investment earnings	125,719
Interest and fiscal charges	(62,275)
Gain on disposal of capital assets	167,847
Capital asset donation	(2,613,729)
Other nonoperating revenues	(10,965)
Total nonoperating revenues (expenses)	(1,248,111)
Change in net assets	182,886
Net assets at beginning of year	24,033,986
Net assets at end of year	$24,216,872

See accompanying notes to the basic financial statements.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
HEATH, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2009

Cash Flows from Operating Activities:	
Cash received from leases	$ 3,785,392
Cash received from other operating receipts	21,385
Cash payments to suppliers for goods and service	(1,238,167)
Cash payments for employee services and benefits	(711,590)
Net cash provided by operating activities	1,857,020
Cash Flows from Noncapital Financing Activities:	
Capital asset donation	(2,472,631)
Intergovernmental grants	962,501
Net cash used by noncapital financing activities	(1,510,130)
Cash Flows from Capital and Related Financing Activities:	
Proceeds from sale of capital assets	66,793
Proceeds from insurance recovery	182,791
Principal payments - Revenue bonds	(757,829)
Interest payments – Revenue bonds	(23,791)
Principal payments – Boeing lease loan	(124,756)
Interest payments – Boeing lease loan	(36,448)
Acquisition and construction of assets	(4,152,568)
Loan proceeds	2,759,461
Net cash used by capital and related financing activities	(2,086,347)
Cash Flows from Investing Activities:	
Purchase of investments	(87,259)
Interest received	130,170
Net cash provided by investing activities	42,911
Net decrease in cash and cash equivalents	(1,696,546)
Cash and cash equivalents at beginning of year	6,229,690
Cash and cash equivalents at end of year	$ 4,533,144
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	$ 1,430,997
Adjustments:	
Depreciation	738,913
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	187,354
(Increase) decrease in intergovernmental receivable	38,285
(Increase) decrease in prepaid items	9,969
(Increase) decrease in accounts payable	(3,490)
(Increase) decrease in accrued wages and benefits	(3,183)
(Increase) decrease in intergovernmental payable	(8,656)
(Increase) decrease in due to others	(29)
(Increase) decrease in customer deposits	(750)
(Increase) decrease in compensated absences	(576)
(Increase) decrease in unearned revenue	(531,814)
Net cash provided by operating activities	$ 1,857,020

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2009 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting: and Financial Reporting: Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the Port Authority (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the Port Authority's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the Port Authority.

Based on the foregoing, the Port Authority's financial reporting entity has no component units.

B. Basis of Presentation

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

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*," the Port Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Port Authority has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities.

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 changes in 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

E. Budgetary Process

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

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

1. Budget

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

2. Estimated Resources

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

3. Appropriations

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

4. Encumbrances

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Lapsing of Appropriations

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

F. Cash and Cash Equivalents

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

G. Investments

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

H. Capital Assets and Depreciation

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," compensated absences are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Employees earn vacation leave based on length of service and position. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement is accrued to the extent that it is considered probable that the conditions for compensation will be met in the future.

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

J. Pensions

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

K. 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 borrowings used for the acquisition, construction or improvement of those assets. Restricted net assets would consist of monies and other resources, which are restricted to satisfy debt service requirements as specified in debt agreements.

L. Revenue & Expenses

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

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

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

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

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

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

- United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

- Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

- Interim deposits in eligible institutions applying for interim funds;

- Bonds and other obligations of the State of Ohio;

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and

- The State Treasury Asset Reserve of Ohio (STAR Ohio).

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposit may not be returned. Protection of Port Authority cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Port Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the Port Authority's deposits was $(50,844) and the bank balance was $35,000. Federal depository insurance covered 100% of the bank balance. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero balance" nature of the Port Authority's bank accounts. The negative carrying amount is due to the sweeping of money into overnight repurchase agreements, which are reported under investments below.

Investments

The Port Authority reports a certificate of deposit valued at $5,087,259 with original maturity of more than three months as investments on the Statement of Net Assets. In addition, the Authority maintains an overnight repurchase agreement, which has no credit rating, in the amount of $4,583,988. Of the Port Authority's total investments, 100% was invested in repurchase agreements and certificates of deposits.

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

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

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

NOTE 3 – LOAN RECEIVABLE

In 2008, the Port Authority entered into a 10-year lease agreement with the Boeing Company that included a $500,000 loan. Boeing is making monthly installments to pay of $50,000 of the loan over 10 years at 5.0%. The remaining $450,000 of the loan is due at the end of 10 years only if the 10-year lease on the equipment is severed early. The amount of $492,597 was reported as a loan receivable at December 31, 2009.

NOTE 4 - CAPITAL ASSETS

Proprietary Capital Assets--Summary by Category at December 31, 2009:

	Balance 01/01/09	Additions	Deletions	Balance 12/31/09
Nondepreciable Capital Assets				
Land	$5,901,712	$22,109	($141,098)	$5,782,723
Total Capital Assets not being depreciated	5,901,712	22,109	(141,098)	5,782,723
Depreciable Capital Assets				
Buildings and Improvements	12,450,979	2,993,838	(315,739)	15,129,078
Infrastructure	1,015,870	884,949	0	1,900,819
Furniture and Fixtures	680,785	26,522	0	707,307
Machinery and Equipment	2,432,140	502,970	(28,459)	2,906,651
Vehicles	178,370	0	0	178,370
Total at Historical Cost	16,758,144	4,408,279	(344,198)	20,822,225
Less Accumulated Depreciation				
Buildings and Improvements	(5,111,841)	(552,368)	174,922	(5,489,287)
Infrastructure	(399,747)	(100,393)	0	(500,140)
Furniture and Fixtures	(630,658)	(38,894)	0	(669,552)
Machinery and Equipment	(2,335,406)	(38,511)	17,720	(2,356,197)
Vehicles	(127,284)	(8,747)	0	(136,031)
Total Accumulated Depreciation	(8,604,936)	(738,913)	192,642	(9,151,207)
Depreciable Capital Assets, Net of Accumulated Depreciation	8,153,208	3,669,366	(151,556)	11,671,018
Capital Assets, Net	$14,054,920	$3,691,475	($292,654)	$17,453,741

NOTE 5 - DEFINED BENEFIT PENSION PLANS

The following information was provided by the Ohio Public Employees Retirement System (the "OPERS") to assist the Authority in complying with GASB Statement No. 27, "*Accounting for Pensions by State and Local Government Employers*."

All employees of the Authority participate in one of the three pension plans administered by the OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD 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 MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan.

NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The OPERS provides retirement, disability, survivor and death benefits and annual cost-of- living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand- alone financial report that includes financial statements and required supplementary information for the OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2009, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2009 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statues. Employer contribution rates are actuarially determined. A portion of the Port Authority’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits, from January 1 through March 31, 2009, 7.0% of annual covered salary was the portion used to fund pension obligations; and from April 1 through December 31, 2009, 8.5% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the Port Authority are established and may be amended by the OPERS Board. The Port Authority's required contributions for pension obligations to OPERS for the years ending December 31, 2009, 2008 and 2007 were $41,233, $30,938 and $36,225, respectively, which were equal to the required contributions for each year.

NOTE 6 – POSTEMPLOYMENT BENEFITS

Plan Description - OPERS administers three separate pension plans: the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC 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 ORC.

NOTE 6 – POSTEMPLOYMENT BENEFITS (Continued)

The ORC 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 ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy - The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, local government employers contributed at a rate of 14.0% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2009, the employer contribution allocated to the health care plan was 7.0% of covered payroll from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Port Authority's contributions for health care to the OPERS for the years ending December 31, 2009, 2008, and 2007 were $29,815, $30,938 and $23,880, respectively, which were equal to the required contributions for each year.

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

NOTE 7 – LONG-TERM DEBT

Long-term debt obligations of the Port Authority at December 31, 2009 were as follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
Revenue Bonds	3.78%	$912,261	$ 0	($757,829)	$154,432	$154,432
Boeing Loan	6.25%	0	2,759,461	(124,756)	2,634,705	490,983
Total Long-Term Debt		$912,261	$2,759,461	($882,585)	$2,789,137	$645,415

NOTE 7 – LONG-TERM DEBT (Continued)

In February 2006, the Port Authority modified its 2002 Bond Series for the purchase of real property, converting $912,261 to interest-only payments. The Port Authority made the required payment of $757,289 in 2009 and this bond will be retired in 2010.

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

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

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

	Revenue Bonds		Boeing Loan	
Year	Principal	Interest	Principal	Interest
2010	$154,432	$743	$ 490,983	$152,835
2011	0	0	523,015	120,803
2012	0	0	556,858	86,960
2013	0	0	593,467	50,350
2014	0	0	470,382	12,482
Totals	$154,432	$743	$2,634,705	$423,430

NOTE 8 - RISK MANAGEMENT

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Port Authority joined the Ohio Government Risk Management Plan (the "OGRMP"), a public entity risk plan formed under Section 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 550 member political subdivisions. The Port Authority pays an annual premium to the OGRMP for its general insurance coverage. The agreement for formation of the OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure all claims in excess of a member's deductible through commercial insurance and reinsurance companies.

During 2009 the Port Authority contracted with several different insurance providers for various insurance coverage's, as follows:

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

NOTE 8 - RISK MANAGEMENT (Continued)

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

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

NOTE 9 - CONDUIT DEBT

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

As of December 31, 2009, there were four series of Industrial Revenue Bonds issued. Three were issued on behalf of Licking Memorial Hospital, two with Chase Bank, the third with Fifth Third Bank. The fourth was issued on behalf of the Family YMCA of Lancaster and Fairfield County with National City Bank. The four issues totaled $31.2 million dollars.

NOTE 10 – CONTINGENCIES

The Port Authority is party to legal proceedings. Management is of the opinion that the ultimate outcome of such litigation will not result in a material adverse effect on the Port Authority's financial position.

NOTE 11 – SUBSEQUENT EVENT

The Port Authority has the authorization to issue $4,853,000 Recovery Zone Facility Revenue Bonds for the purpose of a commercial building project. The maturity shall not exceed 15 years and was issued at varying interest rates over the bond's term.

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Directors
Heath-Newark-Licking County Port Authority
Heath, Ohio

We have audited the financial statements of the Heath-Newark-Licking County Port Authority (the "Authority") as of and for the year ended December 31, 2009, and have issued our report thereon dated June 29, 2011. We have 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 Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 a combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the 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 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

S. R. Snodgrass, A.C.

Steubenville, Ohio
June 29, 2011

Dave Yost • Auditor of State

HEATH NEWARK LICKING COUNTY PORT AUTHORITY

LICKING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 11, 2011