



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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

SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2010 and 2009  
Fiscal Years Audited Under GAGAS: 2010 and 2009





# Dave Yost • Auditor of State

Board of Trustees  
Southern Ohio Port Authority  
433 Third Street  
P. O. Box 1525  
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the Southern Ohio Port Authority, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2009 through December 31, 2010. 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 Southern Ohio Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

November 1, 2011

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**Southern Ohio Port Authority**  
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*For the Years Ended December 31, 2010 and 2009*

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# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## Independent Auditor's Report

Board of Trustees  
Southern Ohio Port Authority  
433 Third St.  
PO Box 1525  
Portsmouth, Ohio 45662

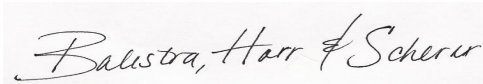
We have audited the accompanying financial statements of the business-type activities of the Southern Ohio Port Authority, Scioto County, Ohio, (the Port Authority), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Port Authority's management. 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Southern Ohio Port Authority, Scioto County, Ohio, as of December 31, 2010 and 2009, and the changes in financial position and 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 August 5, 2011, 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.

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



Balestra, Harr & Scherer, CPAs, Inc.  
August 5, 2011



**Southern Ohio Port Authority**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2010 and 2009*  
*(Unaudited)*

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The discussion and analysis of the Southern Ohio Port Authority's financial performance provides an overview of the Port Authority's financial performance as a whole for the years ended December 31, 2010 and 2009. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current years and prior year is required to be presented, and is presented in the MD&A.

### **Financial Highlights**

Key financial highlights for 2010 and 2009 follow:

- Total assets increased \$777,127, or 33.55%, between 2009 and 2010 and decreased \$420,089, or 15.35%, between 2008 and 2009. Total liabilities increased significantly \$841,424, between 2009 and 2010 and decreased \$362,287, or 39.32%, between 2008 and 2009. Total net assets decreased \$64,297, or 3.66%, between 2009 and 2010 and decreased \$57,802, or 3.18%, between 2008 and 2009.
- Total revenues increased significantly \$416,505, between 2009 and 2010 and decreased \$74,995, or 93.28%, between 2008 and 2009. Total expenditures increased significantly \$423,000, between 2009 and 2010 and decreased \$470,526, or 83.09%, between 2008 and 2009.

### **Using this Annual Financial Report**

This financial report contains the basic financial statements of the Port Authority, as well as the Management's Discussion and Analysis and notes to 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. As the Port Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

#### *Statement of Net Assets*

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

This statement reports the Port Authority's net assets, however, in evaluating the overall position and financial viability of the Port Authority, non-financial information, such as the condition of the Port Authority's capital assets, will also need to be evaluated.

**Southern Ohio Port Authority**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2010 and 2009  
(Unaudited)

Table 1 provides a summary of the Port Authority's net assets for 2010 and 2009 compared to 2008.

Table 1  
Net Assets

	2010	2009	2010/2009 Change	2008	2009/2008 Change
<b>Assets</b>					
Current and Other Assets	\$1,028,977	\$251,850	\$777,127	\$671,939	\$(420,089)
Capital Assets	2,064,719	2,064,719	0	2,064,719	0
<b>Total Assets</b>	<b>3,093,696</b>	<b>2,316,569</b>	<b>777,127</b>	<b>2,736,658</b>	<b>(420,089)</b>
<b>Liabilities</b>					
Other Liabilities	841,424	0	841,424	362,287	(362,287)
Long-Term Liabilities	559,000	559,000	0	559,000	0
<b>Total Liabilities</b>	<b>1,400,424</b>	<b>559,000</b>	<b>841,424</b>	<b>921,287</b>	<b>(362,287)</b>
<b>Net Assets</b>					
Invested in Capital Assets Net of Debt	1,505,719	1,505,719	0	1,505,719	0
Unrestricted	187,553	251,850	(64,297)	309,652	(57,802)
<b>Total Net Assets</b>	<b>\$1,693,272</b>	<b>\$1,757,569</b>	<b>\$(64,297)</b>	<b>\$1,815,371</b>	<b>\$(57,802)</b>

- The increase in total assets between 2009 and 2010 was due primarily to increases in grant awards receivable from state agencies to pay for remediation expenses on property located in New Boston, Ohio. Also, the increase in the liabilities between 2009 and 2010 was directly related to unearned revenue from grant awards from the state.
- Also, the decrease in total assets between 2008 and 2009 was due primarily to the use of current resources to pay for remediation expenses on property located in New Boston, Ohio.

**Southern Ohio Port Authority**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2010 and 2009  
(Unaudited)

Table 2 provides a summary of changes in the Port Authority's net assets for 2010 and 2009 as well as revenue and expense comparison to 2008.

Table 2  
Changes in Net Assets

	2010	2009	2010/2009 Change	2008	2009/2008 Change
<i>Revenues</i>					
<i>Operating Revenue</i>					
Intergovernmental	\$416,152	\$ 0	\$416,152	\$73,111	\$(73,111)
Rent	5,158	4,744	414	4,830	(86)
<i>Total operating revenue</i>	<u>421,310</u>	<u>4,744</u>	<u>416,566</u>	<u>77,941</u>	<u>(73,197)</u>
<i>Non-operating revenue</i>					
Interest income	602	663	(61)	2,461	(1,798)
<i>Total non-operating revenue</i>	<u>602</u>	<u>663</u>	<u>(61)</u>	<u>2,461</u>	<u>(1,798)</u>
<i>Total revenue</i>	<u>\$421,912</u>	<u>\$5,407</u>	<u>\$416,505</u>	<u>\$80,402</u>	<u>\$(74,995)</u>
<i>Expenses</i>					
<i>Operating expenses</i>					
Administrative	\$ 8,481	\$ 7,121	\$ 1,360	\$ 5,459	\$ 1,662
Material & Supplies	614	3,259	(2,645)	4,855	(1,596)
Contractual Services	440,158	42,638	397,520	480,606	(437,968)
Professional Fees	36,956	10,191	26,765	42,815	(32,624)
<i>Total operating expenses</i>	<u>486,209</u>	<u>63,209</u>	<u>423,000</u>	<u>533,735</u>	<u>(470,526)</u>
<i>Change in net assets</i>	(64,297)	(57,802)	(6,495)	(453,333)	395,531
<i>Beginning net assets</i>	<u>1,757,569</u>	<u>1,815,371</u>	<u>(57,802)</u>	<u>2,268,704</u>	<u>(453,333)</u>
<i>Ending net assets</i>	<u>\$1,693,272</u>	<u>\$1,757,569</u>	<u>\$ (64,297)</u>	<u>\$1,815,371</u>	<u>\$ (57,802)</u>

- The increase in total revenue between 2009 and 2010 was due largely to increases in grants. The increase in total expenses between 2009 and 2010 was due largely to the use of current resources to pay for remediation expenses on property located in New Boston, Ohio.
- The decrease in total revenues between 2008 and 2009 was due largely to a decrease in grants that were awarded to the Port Authority. The decrease in total expenses between 2008 and 2009 was due largely to the reduction in the amount of federal and state grants available for expenditure that were previously awarded to the Port Authority.

**Capital Assets**

At December 31, 2010 and 2009, the capital assets of the Port Authority consisted of land held for resale. Balances were \$2,064,719 at December 31, 2010 and 2009. See Note 3 of the notes to the basic financial statements for more detailed information on the Port Authority's capital assets.

**Southern Ohio Port Authority**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2010 and 2009*  
*(Unaudited)*

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**Debt Administration**

The Port Authority finances construction in progress primarily through the issuance of notes. At December 31, 2010 and 2009, debt outstanding was \$559,000. See Note 4 of the notes to the basic financial statements for more detailed information on the Port Authority's debt obligations.

**Request for Information**

This financial report is designed to provide a general overview of the Port Authority's finances and to show the Port Authority's accountability for the money it receives, spends and invests. Questions concerning any of the information provided in this report or requests for additional information should be directed to Robert Walton, Commissioner, 433 Third St, P.O. Box 1525, Portsmouth, Ohio 45662.

**Southern Ohio Port Authority**  
*Statement of Net Assets*  
*December 31, 2010 and 2009*

	<b>2010</b>	<b>2009</b>
<b>Assets:</b>		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 3,553	\$ 17,850
Grants receivable	841,424	0
Loans receivable	184,000	234,000
Total Current Assets	1,028,977	251,850
<i>Noncurrent Assets:</i>		
Property held for resale	2,064,719	2,064,719
Total Assets	\$ 3,093,696	\$ 2,316,569
<b>Liabilities:</b>		
<i>Current liabilities:</i>		
Unearned Revenue	\$ 841,424	\$ 0
Total current liabilities:	841,424	0
<i>Long term liabilities:</i>		
Due in more than one year	559,000	559,000
Total long term liabilities:	559,000	559,000
Total liabilities:	1,400,424	559,000
<b>Net assets:</b>		
Invested in capital assets net of related debt	1,505,719	1,505,719
Unrestricted net assets	187,553	251,850
Total net assets:	1,693,272	1,757,569
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,093,696</b>	<b>\$ 2,316,569</b>

See accompanying notes to the financial statements.

**Southern Ohio Port Authority**  
*Statement of Revenues, Expenses and Changes in Net Assets*  
*For the Years Ended December 31, 2010 and 2009*

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Intergovernmental	\$ 416,152	\$ 0
Rent	5,158	4,744
	<u>421,310</u>	<u>4,744</u>
<b>Total operating revenues:</b>	421,310	4,744
Operating expenses:		
Administrative	8,481	7,121
Materials & Supplies	614	3,259
Contractual Services	440,158	42,638
Professional Fees	36,956	10,191
	<u>486,209</u>	<u>63,209</u>
<b>Total operating expenses:</b>	486,209	63,209
<b>Operating (loss):</b>	(64,899)	(58,465)
Non-operating revenues/(expenses):		
Interest income	602	663
	<u>602</u>	<u>663</u>
<b>Total non-operating revenues:</b>	602	663
<b>Change in Net Assets</b>	(64,297)	(57,802)
Net assets at beginning of year	<u>1,757,569</u>	<u>1,815,371</u>
<b>Net assets at end of year</b>	<u><u>\$1,693,272</u></u>	<u><u>\$1,757,569</u></u>

See accompanying notes to the financial statements.

**Southern Ohio Port Authority**  
*Statement of Cash Flows*  
For the Years Ended December 31, 2010 and 2009

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<b>Increase/(decrease) in cash and cash equivalents</b>	<u><b>2010</b></u>	<u><b>2009</b></u>
Cash flows from operating activities:		
Cash received from Grants	\$ 416,152	\$ 0
Cash received from rental income	5,158	4,744
Cash payments for contractors	(36,956)	(404,925)
Cash payments for other	<u>(449,253)</u>	<u>(20,571)</u>
Net cash used for operating activities:	(64,899)	(420,752)
Cash flows from investing activities:		
Interest	602	663
Payments received on loans receivable	<u>50,000</u>	<u>50,000</u>
Net cash provided by investing activities:	<u>50,602</u>	<u>50,663</u>
Net decrease in cash and cash equivalents:	(14,297)	(370,089)
Cash and cash equivalents at beginning of year	<u>17,850</u>	<u>387,939</u>
Cash and cash equivalents at end of year	<u><u>3,553</u></u>	<u><u>17,850</u></u>
Reconciliation of operating loss to net cash used for operating activities:		
<b>Operating loss</b>	(\$64,899)	(\$58,465)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Changes in assets and liabilities:		
Increase/(decrease) in accounts payable	<u>0</u>	<u>(362,287)</u>
Net cash used for operating activities:	<u><u>\$ (64,899)</u></u>	<u><u>\$ (420,752)</u></u>

See accompanying notes to the financial statements.

**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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

This summary of significant accounting policies of the Southern Ohio 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) 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 Southern Ohio Port Authority, Scioto 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 4582.02 of the Ohio Revised Code. The Port Authority is governed by a nine member Board of Directors. Members of the Board are appointed by the Scioto County Commissioners. The purpose of the Port Authority is to be involved in the activities that enhance foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Scioto County.

The Port Authority is statutorily created as a separate and distinct political subdivision of the State. The Port Authority is governed by a nine member Board of Trustees appointed by the Scioto County Commissioners. Scioto County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Scioto County maintains its own accounting functions, is a separate reporting entity, and its financial activity is not included within the financial statements of the Port Authority.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Port Authority Consists of its general operation fund.

Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization's governing board and (1) the Port Authority is able to significantly influence the programs or services performed or provided by the organizations: or (2) the Port Authority is legally entitled to or can otherwise access the organization's resources: the Port Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits or, or provide financial support to, the organization: or the Port Authority is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent of the Port Authority in the Port Authority approves the budget, the issuance of debt or the levying of taxes. The Port Authority has no component units.

The Port Authority's management believes these financial statement present all activities for which the Port Authority is financial accountable. The Port Authority was formed on September 22, 1983.



**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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

***B. Basis of Accounting***

The financial statement 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 of 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.

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

***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 maintains a capitalization threshold of five hundred dollars. 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.

**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Port Authority did not have any restricted net assets for 2010 and 2009.

**H. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from primary activities. For the Port Authority, these revenues are rental income 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.

**NOTE 2-Cash**

Active deposits are public deposits necessary to meet current demands on the Treasury. Such monies must be maintained either as cash in the 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 Board of Trustees 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 represent interim monies that 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 account including passbook accounts. Interim monies can be deposited or invested in the following securities:

1. 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;

**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**NOTE 2-Cash (Continued)**

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, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in item (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio)
8. Securities lending agreements in which the Port Authority lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Port Authority's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Port Authority's average portfolio.

Protection of the 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 Port Authority 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.

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. Investments 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.

**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2010 and 2009

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**NOTE 2-Cash (Continued)**

**Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Port Authority's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. The Port Authority is required to categorize deposits and investments according to GASB Statement No. 3 *Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements*. At year-end 2010 and 2009, the carrying amount of the Port Authority's deposits was \$3,553 and \$17,850, respectively. The bank balance of the Port Authority's deposits at December 31, 2010 and 2009 was \$32,602.76 and \$121,219.45, respectively. The complete bank balance at year end 2010 and 2009, was covered by federal depository insurance.

Although the pledging bank has an investment and securities pool used to collateralize all public deposits, which are held in the financial institution's name, noncompliance with federal requirements could potentially subject the Port Authority to a successful claim by the FDIC. The deposits not covered by federal depository insurance are considered uninsured and uncollateralized under the provisions of Statement No. 3 and subject to custodial credit risk. The Port Authority had no investment in either of the fiscal years.

**NOTE 3- Capital Assets**

Capital asset activity for the fiscal year ended December 31, 2010 was as follows:

<u>Capital Assets</u>	<u>Balance at 12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/10</u>
Land held for resale	\$2,064,719	\$0	\$0	\$2,064,719
Total	<u>\$2,064,719</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,064,719</u>

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

<u>Capital Assets</u>	<u>Balance at 12/31/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/09</u>
Land held for resale	\$2,064,719	\$0	\$0	\$2,064,719
Total	<u>\$2,064,719</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,064,719</u>

**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2010 and 2009

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**NOTE 4-Note Payable**

Changes in note obligations of the Port Authority during the year ended December 31, 2010 consisted of the following:

	Balance at 12/31/09	Additions	Deletions	Balance at 12/31/10	Due Within One Year
Village of New Boston	\$50,000	\$0	\$0	\$50,000	\$0
Scioto County	509,000	0	0	509,000	0
Total	<u>\$559,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$559,000</u>	<u>\$0</u>

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

	Balance at 12/31/08	Additions	Deletions	Balance at 12/31/09	Due Within One Year
Village of New Boston	\$50,000	\$0	\$0	\$50,000	\$0
Scioto County	509,000	0	0	509,000	0
Total	<u>\$559,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$559,000</u>	<u>\$0</u>

The Village of New Boston note is unsecured with payment due on demand with 0% interest.

The Scioto County note is secured by real estate and payment is due on demand of sale of real estate.

**NOTE 5-Related Party Transactions**

Southern Ohio Port Authority owes \$509,000 to Scioto County. Southern Ohio Port Authority is a related organization of Scioto County.

**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**NOTE 6-Concentration of Credit Risk**

Southern Ohio Port Authority's primary assets consist of land, buildings, rail facilities and river dock located in Portsmouth, Ohio. Southern Ohio Port Authority's primary source of income has been state and federal grants used in the remedial development of Brownfield industrial property that is ultimately sold at fair market value. The purpose of Southern Ohio Port Authority's sale of industrial property is to promote the creation of industrial related jobs in Scioto County and property sales are typically made at below cost. Southern Ohio Port Authority has been totally dependent on state and federal funds for its continued existence.

**NOTE 7 – Contingencies**

**Environmental:**

The Port Authority has no known outstanding environmental issues as of the date of the report. The Port Authority has an agreement with Ohio EPA in which the Port Authority Performs environmental inspections and corrects resulting problems on Brownfield property at the time title is transferred to a prospective buyer in return for the Ohio EPA's covenant no to sue and becoming a part of the deed transferred to the buyer.

**NOTE 8 – Subsequent Events**

Subsequent to December 31, 2010 the Port Authority took part in the following transactions:

- Entered into a purchase agreement to sell the Rail Spur Property located in New Boston, Ohio for \$650,000.
- Paid \$229,587 to contractors for environmental remediation work on property located in New Boston, Ohio.



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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

Board of Trustees  
Southern Ohio Port Authority  
433 Third Street  
P.O. Box 1525  
Portsmouth, Ohio 45662

We have audited the financial statements of the business-type activities of the Southern Ohio Port Authority (the Port Authority), Scioto County, as of and for the years ended December 31, 2010 and 2009 and have issued our report thereon dated August 5, 2011. 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' *Governmental 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We intend this report solely for the information and use of the management, members of the Board, and others within the entity. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
August 5, 2011





# Dave Yost • Auditor of State

**SOUTHERN OHIO PORT AUTHORITY**

**SCIOTO 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 15, 2011**