**COSHOCTON PORT AUTHORITY**
**COSHOCTON COUNTY**
**Regular Audit**
**For the Years Ended December 31, 2011 and 2010**

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

# Dave Yost · Auditor of State

Board of Directors
Coshocton Port Authority
106 S. 4th Street
Coshocton, Ohio 43812

We have reviewed the *Independent Accountants' Report* of the Coshocton Port Authority, Coshocton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2011. 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 Coshocton Port Authority is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

July 27, 2012

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**COSHOCTON PORT AUTHORITY**
**COSHOCTON COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

June 21, 2012

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

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of the **Coshocton Port Authority**, Coshocton County, Ohio (the Authority), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Coshocton Port Authority, Coshocton County, Ohio, as of as of December 31, 2011 and 2010, and the respective changes in financial position and cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2012, on our consideration of the Government'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.

Respectfully Submitted,

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**
**(UNAUDITED)**

The discussion and analysis of the Coshocton Port Authority's (Authority) financial performance provides an overall review of the Authority's financial activities for the years ended December 31, 2011 and 2010. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers are encouraged to consider information presented here as well as the basic financial statements to enhance their understanding of the Authority's financial performance.

**Using this Financial Report**

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

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

The Statement of Net Assets answers the question, "How did we do financially during 2011 and 2010?" This statement includes all assets and liabilities, both financial and capital, and current and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. The basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

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

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

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

Table 1 provides a summary of the Authority's net assets for 2011, 2010 and 2009.

(Table 1)

**Net Assets**

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Assets: | | | |
| Current Assets | $ 385,322 | $ 133,150 | $ 280,843 |
| Restricted Assets | 323,222 | 355,943 | 294,691 |
| Capital Assets | 316,629 | 314,862 | 308,907 |
| Other Non-Current Assets | 675,017 | 712,004 | 610,609 |
| Total Assets | 1,700,190 | 1,515,959 | 1,495,050 |
| Liabilities | | | |
| Current Liabilities | 306,442 | 2,624 | 4,839 |
| Long-Term Liabilities | 500,000 | 649,511 | 651,511 |
| Total Liabilities | 806,442 | 652,135 | 656,350 |
| Net Assets | | | |
| Invested in Capital Assets Net of Related Debt | (332,882) | (334,649) | (342,604) |
| Restricted | 323,222 | 355,943 | 294,691 |
| Unrestricted | 903,408 | 842,530 | 886,613 |
| Total Net Assets | $ 893,748 | $ 863,824 | $ 838,700 |

Total assets increased by $184,231 in 2011. The increase is due to $154,460 in Intergovernmental Receivable from an Environmental Protection Agency Grant awarded to the Authority and $20,250 in theft loss recovery. In 2010 total assets increased by $20,909. The increase is a result of additional grants received in the Revolving Loan Fund but not yet expended for intended uses.

Total liabilities increased in 2011 by $154,307, due to an increase in accounts payable related to contractual services. Total liabilities decreased in 2010 by $4,215. The decrease is due to decreases in payroll tax accruals related to normal timing differences between years, and the payment of $2,000 on long term debt.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(UNAUDITED)**

Table 2 shows the changes in net assets for the years ended December 31, 2011, 2010 and 2009.

(Table 2)
**Revenues and Expenses**

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| **Operating Revenues:** | | | |
| Joint Economic Development District Revenues | $ 21,685 | $ 27,307 | $ 22,243 |
| Intergovernmental Revenues | 463,059 | 301,487 | 90,000 |
| Fee Revenue | 25 | 325 | 100 |
| Foundation and Corporate Contribution | 9,000 | 16,725 | 69,750 |
| Revolving Loan Interest | 5,311 | 4,403 | 4,915 |
| Land Rent | 1,685 | - | 1,497 |
| Other Revenues | 820 | 200 | 50 |
| **Total Operating Revenues** | 501,585 | 350,447 | 188,555 |
| **Total Operating Expenses:** | | | |
| Salaries and Benefits | 110,941 | 88,632 | 123,344 |
| Contractual Services | 347,088 | 186,456 | 31,700 |
| Grants | 3,012 | 15,725 | - |
| Lease Subsidies | - | 1,250 | 3,000 |
| Insurance and Bonding | 5,278 | 5,276 | 5,007 |
| Travel and Auto | 2,837 | 3,995 | 2,581 |
| Materials and Supplies | 5,901 | 11,595 | 5,392 |
| Rent | 3,300 | 3,300 | 3,300 |
| Utilities | 4,836 | 5,352 | 5,498 |
| Other | 3,131 | 7,438 | 7,236 |
| Depreciation | 1,169 | 949 | 2,095 |
| **Total Operating Expenses** | 487,493 | 329,968 | 189,153 |
| Operating Income (Loss) | 14,092 | 20,479 | (598) |
| Non-Operating Revenues (Expenses): | | | |
| Intergovernmental Grant Expense | - | - | 6,255 |
| Interest Income | 3,059 | 5,726 | - |
| Interest and Fiscal Charges | (7,477) | (7,581) | (7,668) |
| Theft Loss Recovery | 20,250 | 6,500 | 4,785 |
| Total Non-Operating Revenues (Expenses) | 15,832 | 4,645 | 3,372 |
| Change in Fund Net Assets | 29,924 | 25,124 | 2,774 |
| Net Assets, Beginning of Year | 863,824 | 838,700 | 835,926 |
| Net Assets, End of Year | $ 893,748 | $ 863,824 | $ 838,700 |

Total net assets increased by $29,924 in 2011, compared to an increase of $25,124 in 2010 and $2,774 in 2009. This is primarily the result of increases in theft loss recovery and intergovernmental receivables.

**Capital Assets**

At the end of year 2011, the Authority had $316,629 invested in land held for development, office equipment and leasehold equipment. Table 3 shows fiscal year 2011 balances compared to 2010 and 2010 compared to 2009.

(Table 3)

**Capital Assets (Net of Depreciation)**

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Land Held for Development | $ 308,135 | $ 308,135 | $ 308,135 |
| Office Equipment | 20,039 | 18,903 | 11,999 |
| Leasehold Improvements | 1,800 | - | - |
| Less: Accumulated Depreciation | (13,345) | (12,176) | (11,227) |
| Totals | $ 316,629 | $ 314,862 | $ 308,907 |

The $1,767 increase in capital assets, net of accumulated depreciation in 2011 was attributable primarily to the acquisition of leasehold improvements and increases in office equipment offset by depreciation expense of $1,169. In 2010, there was an increase in capital assets, net of accumulated depreciation in the amount of $6,904 from the acquisition of new office equipment, offset by depreciation expense of $949. Note 3 to the basic financial statements reflect capital asset activity during 2011 and 2010.

**Long-Term Debt**

The outstanding debt for the Authority as of December 31, 2011, 2010, and 2009 was $649,511, $649,511 and $651,511 respectively. The decrease was the result of making a $2,000 payment on the bank loan balance upon renewing the loan in 2010. No payments were made on the loans in 2011. Table 4 summarizes outstanding debt.

(Table 4)

**Debt**

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Loans Payable | $ 649,511 | $ 649,511 | $ 651,511 |

Additional information concerning the Authority's debt can be found in Note 7 to the basic financial statements.

## Current Issues

### Revolving Loan Fund Losses

No loan losses were recognized during 2011 or 2010. The nature of the revolving loan fund involves making higher risk loans in an effort to stimulate economic activity in the community and create jobs. All remaining loans are currently active and up to date. No new loans were made in 2011 and four new loans totaling $132,159 were made during 2010.

### Contacting the Coshocton Port Authority's Financial Management

This financial report is intended to provide our citizens, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenue it receives. If you have questions about this report or need additional financial information, contact the Executive Director at the Coshocton Port Authority, 106 South Fourth Street, Coshocton, Ohio 43812.

**COSHOCTON PORT AUTHORITY**
**COSHOCTON COUNTY**

**STATEMENTS OF NET ASSETS**
**PROPRIETARY FUND**
**AS OF DECEMBER 31, 2011 AND 2010**

| | 2011 | 2010 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $ 225,200 | $ 126,125 |
| Intergovernmental Receivable | 154,460 | - |
| Joint Economic Development District Taxes Receivable | 5,662 | 7,025 |
| Total Current Assets | 385,322 | 133,150 |
| Restricted Assets: | | |
| Cash and Cash Equivalents | 323,222 | 355,943 |
| Total Restricted Assets | 323,222 | 355,943 |
| Noncurrent Assets: | | |
| Capital Assets: | | |
| Land | 308,135 | 308,135 |
| Office Equipment | 20,039 | 18,903 |
| Leasehold Improvements | 1,800 | - |
| Less: Accumulated Depreciation | (13,345) | (12,176) |
| Total Capital Assets, Net | 316,629 | 314,862 |
| Other Noncurrent Assets: | | |
| Loans Receivable - Revolving Loan Fund | 170,017 | 212,004 |
| Loans Receivable - Community Development | 5,000 | - |
| Note Receivable - City of Coshocton | 500,000 | 500,000 |
| Total Other Noncurrent Assets | 675,017 | 712,004 |
| Total Noncurrent Assets | 991,646 | 1,026,866 |
| TOTAL ASSETS | $ 1,700,190 | $ 1,515,959 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | $ 153,956 | $ 201 |
| Accrued Payroll | 961 | 843 |
| Intergovernmental Payable | 1,765 | 1,433 |
| Accrued Interest | 249 | 147 |
| Current Portion of Loans Payable | 149,511 | - |
| Total Current Liabilities | 306,442 | 2,624 |
| Noncurrent Liabilities: | | |
| Loans Payable | 500,000 | 649,511 |
| Total Noncurrent Liabilities | 500,000 | 649,511 |
| TOTAL LIABILITIES | 806,442 | 652,135 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | (332,882) | (334,649) |
| Restricted | 323,222 | 355,943 |
| Unrestricted | 903,408 | 842,530 |
| TOTAL NET ASSETS | 893,748 | 863,824 |
| TOTAL LIABILITIES AND NET ASSETS | $ 1,700,190 | $ 1,515,959 |

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

**COSHOCTON PORT AUTHORITY**
**COSHOCTON COUNTY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**
**PROPRIETARY FUND**
**FOR THE YEARS ENDED DECEMBER 31 2011 AND 2010**

| | 2011 | 2010 |
|---|---|---|
| Operating Revenues: | | |
| Joint Economic Development District Tax Revenue | $ 21,685 | $ 27,307 |
| Intergovernmental Revenues | 463,059 | 301,487 |
| Fee Revenue | 25 | 325 |
| Local Foundation and Corporate Contributions | 9,000 | 16,725 |
| Revolving Loan Interest | 5,311 | 4,403 |
| Land Rent | 1,685 | - |
| Other Revenues | 820 | 200 |
| Total Operating Revenues | 501,585 | 350,447 |
| Operating Expenses: | | |
| Salaries and Benefits | 110,941 | 88,632 |
| Contractual Services | 347,088 | 186,456 |
| Grants | 3,012 | 15,725 |
| Lease Subsidies | - | 1,250 |
| Insurance and Bonding | 5,278 | 5,276 |
| Travel and Auto | 2,837 | 3,995 |
| Materials and Supplies | 5,901 | 11,595 |
| Rent | 3,300 | 3,300 |
| Utilities | 4,836 | 5,352 |
| Other | 3,131 | 7,438 |
| Depreciation | 1,169 | 949 |
| Total Operating Expenses | 487,493 | 329,968 |
| Operating Income | 14,092 | 20,479 |
| Non-Operating Revenues (Expenses): | | |
| Interest Income | 3,059 | 5,726 |
| Interest and Fiscal Charges | (7,477) | (7,581) |
| Theft Loss Recovery | 20,250 | 6,500 |
| Total Non-Operating Revenues (Expenses) | 15,832 | 4,645 |
| Change in Fund Net Assets | 29,924 | 25,124 |
| Net Assets, Beginning of Year | 863,824 | 838,700 |
| Net Assets, End of Year | $ 893,748 | $ 863,824 |

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

**COSHOCTON PORT AUTHORITY**
**COSHOCTON COUNTY**

**STATEMENTS OF CASH FLOWS**
**PROPRIETARY FUND**
**FOR THE YEARS ENDED DECEMBER 31 2011 AND 2010**

| | 2011 | 2010 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Cash Received from Grants and Contributions | $ 317,599 | $ 318,212 |
| Cash Received from Taxes | 23,048 | 26,578 |
| Cash Received from Revolving Loan Fund Interest | 5,311 | 4,403 |
| Cash Received from Rent and Other | 2,530 | 525 |
| Cash Payments to Employees for Services and Benefits | (110,491) | (89,799) |
| Cash Payments for Goods and Services | (193,132) | (186,456) |
| Cash Payments for Grants Made | (3,012) | (15,725) |
| Cash Payments for Other Operating Expenses | (25,484) | (39,157) |
| Net Cash Provided By Operating Activities | 16,369 | 18,581 |
| **Cash Flows from Noncapital Financing Activities:** | | |
| Theft Loss Recovery | 20,250 | 6,500 |
| Net Cash Provided By Noncapital Financing Activities | 20,250 | 6,500 |
| **Cash Flows from Capital and Related Financing Activities:** | | |
| Purchase of Capital Assets | (2,936) | (6,904) |
| Proceeds from (Payments on) Loans Payable | - | (2,000) |
| Net Cash (Used) By Capital and Related Financing Activities | (2,936) | (8,904) |
| **Cash Flows from Investing Activities:** | | |
| Revolving Loan Fund and Community Development Loans Made | (5,000) | (132,159) |
| Revolving Loan Fund Payments Received | 41,987 | 30,764 |
| Interest Income | 3,059 | 5,726 |
| Interest Paid on Debt | (7,375) | (7,678) |
| Net Cash Provided by Investing Activities | 32,671 | (103,347) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 66,354 | (87,170) |
| Cash and Cash Equivalents at Beginning of Year | 482,068 | 569,238 |
| Cash and Cash Equivalents at End of Year | $ 548,422 | $ 482,068 |

| | 2011 | 2010 |
|---|---|---|
| **Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:** | | |
| Operating Income (Loss) | $ 14,092 | $ 20,479 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities: | | |
| Depreciation | 1,169 | 949 |
| (Increase) Decrease in Intergovernmental Receivables | (154,460) | - |
| (Increase) Decrease in JEDD Taxes Receivable | 1,363 | (729) |
| Increase (Decrease) in Accounts Payable | 153,755 | (415) |
| Increase (Decrease) in Accrued Payroll | 118 | (951) |
| Increase (Decrease) in Intergovernmental Payable | 332 | (752) |
| Net Cash Provided By Operating Activities | $ 16,369 | $ 18,581 |

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Coshocton Port Authority (the Port Authority) is presented to assist in understanding the entities financial statements. The financial statements and notes are a representation 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 Coshocton Port Authority, Coshocton County is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Section 4582.21 to 4582.59 of the Ohio Revised Code. The Port Authority is governed by a five-member Board of Directors. Two members of the Board are appointed by the Mayor of the City and approved by Council of the City of Coshocton. Two members are appointed by the Coshocton County Commissioners and the fifth appointment shall be approved by the four current members. The purpose of the Port Authority is to be involved in the activities that enhance, foster, aid, provide, or promote transportation, economic development, education, governmental operations, culture, or research within Coshocton County.

The Port Authority is not a component unit of the City of Coshocton or Coshocton County but the members of the Port Authority's board are appointed by the City Council and Coshocton County Board of Commissioners and the Port Authority is economically dependent on the City and County for financial support. Neither the City of Coshocton Council nor the Coshocton County Commissioners have any authority regarding the day-to-day activities and business affairs of the Port authority beyond the creation of the Port Authority and the appointment of its Board of Directors. The City of Coshocton and Coshocton County maintain their own accounting functions, are a separate reporting entity, and their financial activity is not included within the financial statements of the Port Authority.

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

### B. Basis of Accounting

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

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 or services.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets present 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 4582.12 requires that each fund be budgeted for annually. This budget includes estimated receipts and appropriations.

#### 1. Appropriations

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

#### 2. Estimated Resources

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

#### 3. Encumbrances

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

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

| | |
|---|---|
| Land | N/A |
| Leasehold Improvements | 5 Years |
| Office Equipment | 5 Years |

## 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 had restricted net assets of $323,322 for 2011 and $355,943 for 2010.

### H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Port Authority, these revenues are operating grants, Joint Economic Development District tax revenues, revolving loan interest and miscellaneous reimbursement. Operating expenses are necessary costs incurred to provide the goods or series 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

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdraw able 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 are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

State statute permits monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**NOTE 2 – CASH (CONTINUED)**

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 items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division re made only through eligible institutions;

7. The State Treasurer’s investment pool (STAR Ohio);

8. Securities lending agreements in which the District lends or and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash value for, or both securities and cash, equal value for equal value;

9. High grade commercial paper in an amount not to exceed five percent of the Districts 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 District’s average portfolio.

Protection of the Authority’s deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits with Financial Institutions**

At December, 31, 2011 and 2010, the carrying amounts of the Port Authority’s balances were $548,422 and $482,068 respectively, and the bank balance was $549,229 and $482,772, respectively. Based on the criteria described in GASB Statement 40, “Deposits and Investment Risk Disclosures”, as of December 2011 and 2010 $299,229 and $232,772, respectively, of the Port Authority’s bank balances, were exposed to custodial risk as discussed below, while $250,000 was covered by Federal Depository Insurance Corporation each year. All of the Port Authority’s deposits were either covered by FDIC or collateralized by individual investments held by the financial institution at December 31, 2011 and 2010.

## NOTE 2 – CASH (CONTINUED)

**Deposits:** Custodial credit risk is the risk that in the event of bank failure, the Port Authority's deposits may not be returned to it. According to state law, public depositories must give security for all public funds in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Port Authority's policy is to deposit money with financial institutions that are able to abide by the laws covering insurance and collateralization of public funds.

### Segregated Accounts

The Port Authority maintains a separate account for holdings of the Revolving Loan Fund. The balance consists of amounts not yet loaned and amounts repaid from borrowers. The account is interest bearing, and interest earned on the account and from loans is transferred periodically to the general operating account, as all earning are available for the operating expenses of the Port Authority. The balances were $339,291 and $289,769 at December 31, 2011 and 2010, respectively and are included in the Deposits disclosure above.

## NOTE 3 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2011 was as follows:

| | Balance 12/31/10 | Increases | Decreases | Balance 12/31/11 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 308,135 | $ - | $ - | $ 308,135 |
| Total capital assets, not being depreciated | 308,135 | - | - | 308,135 |
| Capital assets, being depreciated: | | | | |
| Office Equipment | 18,903 | 1,136 | - | 20,039 |
| Leasehold Improvements | - | 1,800 | - | 1,800 |
| Total capital assets, being depreciated | 18,903 | 2,936 | - | 21,839 |
| Less accumulated depreciation: | | | | |
| Office Equipment | (12,176) | (1,169) | - | (13,345) |
| Total accumulated depreciation | (12,176) | (1,169) | - | (13,345) |
| Total capital assets being depreciated, net | 6,727 | 1,767 | - | 8,494 |
| Total capital assets, net | $ 314,862 | $ 1,767 | $ - | $ 316,629 |

## NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

| | Balance 12/31/09 | Increases | Decreases | Balance 12/31/10 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 308,135 | $ - | $ - | $ 308,135 |
| Total capital assets, not being depreciated | 308,135 | - | - | 308,135 |
| Capital assets, being depreciated: | | | | |
| Office Equipment | 11,999 | 6,904 | - | 18,903 |
| Total capital assets, being depreciated | 11,999 | 6,904 | - | 18,903 |
| Less accumulated depreciation: | | | | |
| Office Equipment | (11,227) | (949) | - | (12,176) |
| Total accumulated depreciation | (11,227) | (949) | - | (12,176) |
| Total capital assets being depreciated, net | 772 | 5,955 | - | 6,727 |
| Total capital assets, net | $ 308,907 | $ 5,955 | $ - | $ 314,862 |

## NOTE 4 – DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

Plan Description – The Port Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The combined plan is a cost sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contribution to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

## NOTE 4 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

OPERS issues a publicly available financial report that includes financial statements and required supplementary information stand-alone financial report. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or 1-800-222-PERS (7377).

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the years ended December 31, 2011 and 2010, members in state and local classifications contributed 10 percent of covered payroll. For 2011, member and employer contribution rates were consistent across all three plans.

The Port Authority’s 2011 and 2010 contribution rate was 14 percent. The portion of the Port Authority’s contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the Port Authority’s contribution allocated to health care for members in the traditional plan was 4 percent for 2011 and 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2011 and 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010 for 2010. Employer contribution rates are actuarially determined.

The Port Authority’s required contributions for pension obligations to the Traditional Plans and Combined Plans for the years ended December 31, 2011, 2010, and 2009, were $10,889, $9,872 and $12,298, respectively; 100 percent has been contributed for 2011 and 2010. There were no contributions made to the Member Directed Plan.

## NOTE 5 – POST EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan description – The Ohio Public Employee Retirement System (OPERS) administers three separate pension plans: The traditional, 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 befit 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 for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

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 Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting https://www.opers.org/investments/cafr.shtml by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**NOTE 5 – POST EMPLOYMENT BENEFITS (CONTINUED)**

Funding Policy - The postemployment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rate are expressed as a percentage of the covered payroll of active members. In 2011 and 2010, state and local employers contributed at a rate of 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

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. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent for 2011 and 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010 for 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent in 2011 and 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010 for 2010.

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. Active members do not make contributions to the post-employment health care plan.

The Port Authority's contributions allocated to fund postemployment health care benefits for the years ended December 31, 2011, 2010, and 2009 were $10,889, $9,872, and $12,298, respectively. The full amount has been contributed for all years.

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 for state and local employers increased on January 1, of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**NOTE 6 – RISK MANAGEMENT**

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.

The Port Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Executive Director and Officers
- General liability and casualty; and
- Errors and omissions.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a significant reduction in coverage form the prior year.

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

## NOTE 7 – NOTES PAYABLE

In September 2004, the Board of Directors authorized the Treasurer and Chairman to enter into a $153,435 loan with Ohio Heritage Bank to enable the Port Authority to acquire the former Community Improvement Corporation property. The loan principal matures annually, with interest being paid monthly. In December 2011 and 2010, the loan was again renewed for additional one-year period with a principal payment in the amount of $2,000 being made in 2010. The loan is for a term of one year with an interest rate of 5% and has a balance of $149,511 at the end of 2011.

In November 2005, the Board of Directors authorized the Executive Director to enter into a $500,000 loan to enable the Port Authority to purchase the Ross Property as an Ethanol Plant Site. Terms of the loan will include a 0% interest rate for the first five years and a 3.25% rate for years six through fifteen or until paid. Payments are expected to be made from the proceeds of its note receivable from the City of Coshocton. See Note 10 below.

Changes in debt obligations of the Port Authority during the year ended December 31, 2011 consisted of the following:

| | Outstanding 1/1/2011 | Additions | Reductions | Outstanding 12/31/2011 | Amounts Due In One Year |
|---|---|---|---|---|---|
| Ohio Heritage Bank Note | $ 149,511 | $ - | $ - | $ 149,511 | $ 149,511 |
| ODOD Rural Industrial Park Loan | 500,000 | - | - | 500,000 | - |
| Total | $ 649,511 | $ - | $ - | $ 649,511 | $ 149,511 |

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

| | Outstanding 1/1/2010 | Additions | Reductions | Outstanding 12/31/2010 | Amounts Due In One Year |
|---|---|---|---|---|---|
| Ohio Heritage Bank Note | $ 151,511 | $ - | $ (2,000) | $ 149,511 | $ - |
| ODOD Rural Industrial Park Loan | 500,000 | - | - | 500,000 | - |
| Total | $ 651,511 | $ - | $ (2,000) | $ 649,511 | $ - |

The annual requirements to retire debt are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2012 | $ 149,511 | $ 7,475 | $ 156,986 |
| 2013 | 50,004 | 15,505 | 65,509 |
| 2014 | 50,004 | 13,880 | 63,884 |
| 2015 | 50,004 | 12,255 | 62,259 |
| 2016 | 50,004 | 9,682 | 59,686 |
| 2017-2021 | 250,020 | 28,772 | 278,792 |
| 2022-2026 | 49,964 | 879 | 50,843 |
| Totals | $ 649,511 | $ 88,448 | $ 737,959 |

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2011 and 2010 consisted of loans and intergovernmental receivables. The major intergovernmental receivable at December 31, 2011 relates to a $154,460 draw down request of an Environmental Protection Agency Grant awarded to the Port Authority during the audit period. During 2011 and 2010 the major loans receivable related to the Revolving Loan Fund and a note from the City of Coshocton as described in note 10 below.

Changes in the Revolving Loan Fund Receivable of the Port Authority during the year ended December 31, 2011 consisted of the following:

| | Balance 1/1/2011 | Additions | Reductions | Balance 12/31/2011 |
|---|---|---|---|---|
| Revolving Loan Fund | $ 212,004 | $ - | $ (41,987) | $ 170,017 |

Changes in the Revolving Loan Fund Receivable of the Port Authority during the year ended December 31, 2010 consisted of the following:

| | Balance 1/1/2010 | Additions | Reductions | Balance 12/31/2010 |
|---|---|---|---|---|
| Revolving Loan Fund | $ 110,609 | $ 132,159 | $ (30,764) | $ 212,004 |

**NOTE 9 – CONCENTRATION OF CREDIT RISK**

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

**NOTE 10 – CONTINGENCIS**

As discussed in Note 7, the Port Authority is obligated on a note payable to the Ohio Department of Development. The proceeds of this were, in turn, loaned to the City of Coshocton for use in making infrastructure improvements in connection with the development of an ethanol plant. Once the ethanol plant begins operation, the City anticipates making payments on the Port Authority note from lease payments and other utility charges received from the ethanol plant. As of the date of this report, the ethanol plant is not in production. The inability of the plant to make certain lease or utility payments to the City of Coshocton could restrict the City’s ability to repay the Port Authority, which could affect the Port Authority’s ability to repay its obligation to the Ohio Department of Development. Both the Port Authority and the City believe that sufficient guarantees were made to protect their positions on the loan. The Ohio Department of Development modified the loan agreement due to the inability of the ethanol plant to begin production as anticipated at the time the loan agreement was executed. Payments on the plant which were to begin in 2012 have been extended until 2013.

# ***Perry & Associates***

Certified Public Accountants, A.C.

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

June 21, 2012

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

To the Board of Directors:

We have audited the financial statements of the business-type activities of the **Coshocton Port Authority**, Coshocton County, Ohio (the Authority) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Authorities basic financial statements as listed in the table of contents, and have issued our report dated June 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions 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 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*.

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

Respectfully Submitted,

Perry & Associates CPA's A.C.

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

**COSHOCTON PORT AUTHORITY**
**COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***: |
|---|---|---|---|
| 2009-001 | Finding for Recovery Repaid Under Audit | Yes | |

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**COSHOCTON COUNTY PORT AUTHORITY**

**COSHOCTON COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**AUGUST 09, 2012**