



Dave Yost • Auditor of State

WOOD COUNTY PORT AUTHORITY
WOOD COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Wood County Port Authority
Wood County
932 Dixie Highway
Rossford, Ohio 43460-1333

To the Board of Directors:

We have audited the accompanying basic financial statements of the Wood County Port Authority, Wood County, Ohio (the Port Authority), as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. 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 Wood County Port Authority, Wood County, Ohio as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows 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 December 12, 2012, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

December 12, 2012

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

The discussion and analysis of the Wood County Port Authority's (Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the years ended December 31, 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 Port Authority's financial performance.

Using this Financial Report

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

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

The Statement of Net Assets answers the question, "How did we do financially during 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 Port Authority as a whole, the financial position of the Port Authority has improved or diminished. However, in evaluating the overall position of the Port Authority, non-financial information 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.

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

| | 2011 | 2010 | 2009 |
|--|-------------|-------------|----------|
| Table 1 Net Assets | | | |
| Assets: | | | |
| <i>Current Assets:</i> | | | |
| Equity in Pooled Cash & Cash Equivalents | \$273,370 | \$3,331,639 | \$25,987 |
| Grant Receivable | 177,858 | | |
| <i>Noncurrent Assets:</i> | | | |
| Nondepreciable Capital Assets | 6,648,604 | 3,311,299 | |
| Westside Corridor-Maumee Bridge | 320,091 | | |
| Liberty Hi Road CSX Deposit Account | 203,476 | 268,692 | |
| Note Receivable | 20,000 | 20,000 | 20,000 |
| Accrued Interest Receivable | 5,876 | 4,876 | 3,876 |
| <i>Total Noncurrent Assets</i> | 7,198,047 | 3,604,867 | 23,876 |
| <i>Total Assets</i> | 7,649,275 | 6,936,506 | 49,863 |
| Liabilities: | | | |
| <i>Current Liabilities:</i> | | | |
| Accounts Payable | 195,573 | 214,873 | 1,580 |
| Net Assets: | | | |
| Invested in Capital Assets | 6,968,695 | 3,311,299 | |
| Unrestricted | 485,007 | 3,410,334 | 48,283 |
| <i>Total Net Assets</i> | \$7,453,702 | \$6,721,633 | \$48,283 |

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

In 2010, total net assets increased by \$6,673,350 due to a positive change in fund assets. Total liabilities increased by \$213,293 from 2009. In 2011, total net assets increased by \$732,069 due to a positive change in fund assets. Total liabilities decreased by \$19,300 from 2010.

Table 2 shows the changes in net assets for the years ended December 31, 2011, 2010, and 2009. Total net assets increased by \$6,673,350 in 2010. This number reflects an increase in net assets due to receiving additional non-operating revenue above the yearly expenses and the capitalization of assets. In 2011, total net assets increased by \$732,069. This number reflects an increase in net assets due to receiving additional non-operating revenue above the yearly expenses and the capitalization of assets.

The changes to 2010 and 2011 noted above were mostly related to the Liberty Hi Road CSX Project.

**Table 2
Revenues and Expenses**

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|--------------------|--------------------|-----------------|
| OPERATING REVENUES: | | | |
| Administrative Fee | \$25,000 | \$25,000 | |
| OPERATING EXPENSES: | | | |
| Advertising | 300 | | |
| Bank Charges | 1,332 | 114 | |
| Board Member Compensation | 6,318 | 2,325 | \$1,325 |
| Board Member Expenses | 2,132 | 143 | |
| Dues and Subscriptions | 1,015 | 640 | 100 |
| Engineering Expenses-Environmental | 2,796 | | |
| Insurance and Bonding | 3,310 | 3,512 | 2,861 |
| Legal and Professional Fees | 26,468 | 27,893 | 16,250 |
| Real Estate Taxes | 6,853 | | |
| Total Operating Expenses | <u>50,524</u> | <u>34,627</u> | <u>20,536</u> |
| Operating Loss | (25,524) | (9,627) | (20,536) |
| NON-OPERATING REVENUES: | | | |
| Contributions | 22,500 | 22,500 | 15,000 |
| Interest Income | 5,067 | 2,703 | 1,499 |
| CSX Funds Advanced for Liberty Hi Road Project | | 5,774,470 | |
| CSX Real Estate Contribution for Liberty Hi Road Project | | 883,304 | |
| Westside Corridor Bridge and Land Purchase | 320,091 | | |
| Ohio Dept. of Development 629 Grant - Liberty Hi Road Project | 600,000 | | |
| Ohio Dept. of Development Clean Ohio Assistance Fund Grant | 197,967 | | |
| Total Non-Operating Revenues | <u>1,145,625</u> | <u>6,682,977</u> | <u>16,499</u> |
| NON-OPERATING EXPENSES: | | | |
| Clean Ohio Assistance Fund Expenses | 198,042 | | |
| Real Estate Transferred to Henry Township, Ohio | 189,990 | | |
| Total Non-Operating Expenses | <u>388,032</u> | | |
| Change in Fund Net Assets | <u>732,069</u> | <u>6,673,350</u> | <u>(4,037)</u> |
| Net Assets, Beginning of Year | <u>6,721,633</u> | <u>48,283</u> | <u>52,320</u> |
| Net Assets, End of Year | <u>\$7,453,702</u> | <u>\$6,721,633</u> | <u>\$48,283</u> |

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

Capital Assets

The Port Authority's asset capitalization minimum is \$5,000. The Port Authority had \$6,968,695 and \$3,311,299 in capital assets as of December 31, 2011 and 2010, respectively. See Note 4 for details.

Contacting the Port Authority's Financial Management

This financial report is intended to provide our citizens, investors and creditors with a general overview of the Port Authority's finances and to demonstrate the Port Authority's accountability for the revenue it receives. If you have questions about this report or need additional financial information, contact the Port Authority's General Counsel at the Wood County Port Authority, 932 Dixie Highway, Rossford, Ohio 43460-1333.

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**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

| | 2011 | 2010 |
|--|-----------------|-----------------|
| Assets: | | |
| <i>Current Assets:</i> | | |
| Equity in Pooled Cash and Cash Equivalents | \$273,370 | \$3,331,639 |
| Grant Receivable | 177,858 | |
| <i>Noncurrent Assets:</i> | | |
| Nondepreciable Capital Assets | 6,648,604 | 3,311,299 |
| Westside Corridor-Maumee Bridge | 320,091 | |
| Liberty Hi Road CSX Deposit Account | 203,476 | 268,692 |
| Note Receivable | 20,000 | 20,000 |
| Accrued Interest Receivable | 5,876 | 4,876 |
| <i>Total Noncurrent Assets</i> | 7,198,047 | 3,604,867 |
| <i>Total Assets</i> | \$7,649,275 | \$6,936,506 |
| Liabilities: | | |
| <i>Current Liabilities:</i> | | |
| Accounts Payable | \$195,573 | \$214,873 |
| Net Assets: | | |
| Invested in Capital Assets | 6,968,695 | 3,311,299 |
| Unrestricted | 485,007 | 3,410,334 |
| <i>Total Net Assets</i> | \$7,453,702 | \$6,721,633 |

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

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

| | 2011 | 2010 |
|---|-------------|-------------|
| Operating Revenues: | | |
| Administrative Fee | \$25,000 | \$25,000 |
| Operating Expenses | | |
| Advertising | 300 | |
| Bank Charges | 1,332 | 114 |
| Board Member Compensation | 6,318 | 2,325 |
| Board Member Expenses | 2,132 | 143 |
| Dues and Subscriptions | 1,015 | 640 |
| Engineering Expenses - Environmental | 2,796 | |
| Insurance and Bonding | 3,310 | 3,512 |
| Legal and Professional Fees | 26,468 | 27,893 |
| Real Estate Taxes | 6,853 | |
| | 50,524 | 34,627 |
| Total Operating Expenses | | |
| Operating Loss | (25,524) | (9,627) |
| Non-Operating Revenues: | | |
| Contributions | 22,500 | 22,500 |
| Interest Income | 5,067 | 2,703 |
| CSX Funds Advanced for Liberty Hi Road Project | | 5,774,470 |
| CSX Real Estate Contribution for Liberty Hi Road Project | | 883,304 |
| Westside Corridor Bridge and Land Purchase | 320,091 | |
| Ohio Dept. of Development 629 Grant - Liberty Hi Road Project | 600,000 | |
| Ohio Dept. of Development Clean Ohio Assistance Fund Grant | 197,967 | |
| | 1,145,625 | 6,682,977 |
| Total Non-Operating Revenues | | |
| Non-Operating Expenses: | | |
| Clean Ohio Assistance Fund Expenses | 198,042 | |
| Real Estate Transferred to Henry Township, Ohio | 189,990 | |
| | 388,032 | |
| Total Non-Operating Expenses | | |
| Change in Fund Net Assets | 732,069 | 6,673,350 |
| Net Assets Beginning of Year | 6,721,633 | 48,283 |
| Net Assets End of Year | \$7,453,702 | \$6,721,633 |

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

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

| | 2011 | 2010 |
|--|-------------|-------------|
| Increase (Decrease) in Cash and Cash Equivalents | | |
| <i>Cash Flows Used by Operating Activities:</i> | | |
| Cash Payments for Advertising | (\$300) | |
| Cash Payments for Bank Charges | (1,332) | (\$114) |
| Cash Payments for Board Member Compensation | (5,393) | (2,600) |
| Cash Payments for Board Member Expenses | (2,275) | |
| Cash Payments for Dues and Subscriptions | (1,000) | (640) |
| Cash Payments for Legal and Professional Fees | (29,318) | (22,921) |
| Cash Payments for Insurance and Bonding | (3,310) | (3,512) |
| Cash Payments for Real Estate Taxes | (4,656) | |
| Cash Receipts for Administrative Fees | 25,000 | 25,000 |
| | (22,584) | (4,787) |
| <i>Net Cash Used by Operating Activities</i> | | |
| <i>Cash Flows from Noncapital Financing Activities</i> | | |
| Contributions | 22,500 | 22,500 |
| Cash Receipts - Ohio Dept. of Development Clean Ohio Assistance Fund Grant | 20,109 | |
| Cash Payments for Clean Ohio Assistance Fund Expenses | (20,184) | |
| | 22,425 | 22,500 |
| <i>Net Cash Provided by Noncapital Financing Activities</i> | | |
| <i>Cash Flows from Capital and Related Financing Activities</i> | | |
| Cash Receipts - CSX Funds Advanced for Liberty Hi Road Project | | 5,774,470 |
| Cash Receipts - Ohio Dept. of Development 629 Grant - Liberty Hi Road Project | 600,000 | |
| Cash Payments for Nondepreciable Capital Assets | (3,662,177) | (2,219,542) |
| Cash Payments for Deposits | | (268,692) |
| | (3,062,177) | 3,286,236 |
| <i>Net Cash Provided by (Used by) Capital and Related Financing Activities</i> | | |
| <i>Cash Flows from Investing Activities</i> | | |
| Interest on Investments | 4,067 | 1,703 |
| | (3,058,269) | 3,305,652 |
| <i>Net Increase (Decrease) in Cash</i> | | |
| <i>Cash Beginning of Year</i> | 3,331,639 | 25,987 |
| <i>Cash End of Year</i> | \$273,370 | \$3,331,639 |
| Reconciliation of Operating Loss to Net Cash Used by Operating Activities | | |
| Operating Loss | (\$25,524) | (\$9,627) |
| <i>Adjustments to Reconcile Operating Loss to Net Cash Adjustments:</i> | | |
| Increase in Accounts Payable | 2,940 | 4,840 |
| | (22,584) | (\$4,787) |
| Net Cash Used by Operating Activities | (22,584) | (\$4,787) |

Non-Cash Capital Transactions

During 2010, the Port Authority received a real estate contribution from CSX in the amount of \$883,304. During 2011, the Port Authority received a bridge and land donation for the Westside Corridor in the amount of \$320,091 and transferred land to Henry Township in the amount of \$189,990.

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

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**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Wood County Port Authority (the Port Authority) is presented to assist in understanding the entity's financial statements. The financial statements and notes are representations of the entity's management and board who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles for governmental agencies including those principles prescribed by the Governmental Accounting Standard Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of States, Local Governments* and 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 Wood County Port Authority, Wood 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 4582.22 of the Ohio Revised Code. It's territorial limits encompass all of Wood County.

The Port Authority was formerly known as the Northern Wood County Port Authority and was created by the City of Rossford, Ohio and Perrysburg Township, Wood County, Ohio. On July 23, 2010, the Wood County Commissioners, the Mayor of the City of Rossford, and the Perrysburg Township Trustees executed an agreement wherein Wood County joined the Port Authority. The agreement provides that the jurisdiction of the Port Authority is expanded to include all of Wood County, Ohio. The Port Authority shall be governed by a board of directors pursuant to RC 4582.27. The Board shall consist of seven (7) members. Initially, two Board members shall be appointed by the Mayor of the City; two appointed by Township Trustees; two appointed by the Wood County Commissioners; and one appointed jointly by the Mayor, the Trustees, and the Commissioners. The Directors from the City and Township will continue their respective terms. The Commissioners appointed two Board Members immediately after signing the agreement. The Joint Appointee shall be the current joint appointee of the City and Township. All terms will be four year terms with the initial terms of the County appointees being staggered by two years. Upon the first vacancy of a City, Township, and Joint Appointee, either through the expiration of term of office, by resignation, or otherwise, the Wood County Commissioners shall appoint the successor to each of those terms, until the Wood County Commissioners have a total of five (5) appointments to the Port Authority Board, except that in no event shall there be less than one representative of the City and Township on the Board of Directors at any one time.

The Port Authority's management believes these financial statements present all activities for which the Port Authority is financial accountable.

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.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the statement of net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Port Authority finances and meets the cash flow needs of its enterprise activity.

D. Fund Accounting

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

E. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Port Authority has a capitalization threshold of \$5,000. 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 capitalized, but are expended when incurred.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consist of capital assets, and if applicable, net of accumulated depreciation and related debt. 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 2011 and 2010.

G. Statement of Cash Flows

For the purposes of the statement of cash flows, the Port Authority considers all short term investments with a maturity of three months or less at the time they are acquired to be cash equivalents.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 AND CASH EQUIVALENTS

Monies held by the Port Authority are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts. Interim monies held by the Port Authority can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Protection of the Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2011 and 2010, \$0 and \$3,051,647, respectively, of the Port Authority's bank balances was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Port Authority to a successful claim by the FDIC.

The Port Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Port Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 3: NOTES RECEIVABLE

The Port Authority issued a \$50,000 promissory note to the Rossford Transportation Improvement District (RTID) on May 22, 2006. The loan was issued at 5% interest with a 3% administrative fee which was paid upon receipt of the reimbursement from grant funds on October 31, 2006. The RTID paid \$30,000 of the principal on January 23, 2007. The balance of the promissory note was extended to July 1, 2009. In July 2009, the balance of the promissory note was extended to July 1, 2011. In August 2012, the note was extended to July 1, 2013. The current balance receivable is \$20,000.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2011 and 2010 was as follows:

| | Balance 01/01/11 | Additions | Deletions | Balance 12/31/11 |
|---------------------------------|---------------------|---------------------|-------------------|---------------------|
| Capital Assets: | | | | |
| Nondepreciable Capital Assets | \$ 3,311,299 | \$ 3,527,295 | \$ 189,990 | \$ 6,648,604 |
| Westside Corridor-Maumee Bridge | | 320,091 | | 320,091 |
| Total Capital Assets | <u>\$ 3,311,299</u> | <u>\$ 3,847,386</u> | <u>\$ 189,990</u> | <u>\$ 6,968,695</u> |

| | Balance 01/01/10 | Additions | Deletions | Balance 12/31/10 |
|-------------------------------|---------------------|---------------------|-----------|---------------------|
| Capital Assets: | | | | |
| Nondepreciable Capital Assets | | <u>\$ 3,311,299</u> | | <u>\$ 3,311,299</u> |

The capital assets, consisting of the Liberty Hi Road and Westside Corridor Projects, will be transferred off the balance sheet after the Port Authority's planned dedication to various entities.

NOTE 5: RISK MANAGEMENT

Risk Pool Membership

Prior to 2009, the Port Authority belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Port Authority participates in this coverage.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 5: RISK MANAGEMENT (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Port Authority does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

| | 2010 | | 2009 | |
|-----------------|--------------------|--------------------|--------------------|--------------------|
| | <u>OPRM</u> | <u>OPHC</u> | <u>OPRM</u> | <u>OPHC</u> |
| Assets | \$12,036,541 | \$1,355,131 | \$11,176,186 | \$1,358,802 |
| Liabilities | (4,845,056) | (1,055,096) | (4,852,485) | (1,253,617) |
| Members’ Equity | <u>\$7,191,485</u> | <u>\$300,035</u> | <u>\$6,323,701</u> | <u>\$105,185</u> |

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

NOTE 6: FINANCING ACTIVITY

During fiscal year 2011 and 2010, the Port Authority received operating monies from the City of Rossford, Perrysburg Township Trustees, and Wood County Commissioners totaling \$22,500 and \$22,500, respectively.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 7: CONDUIT DEBT

OI Levis Park STS, Inc.

In November 2005, the Port Authority issued \$10,570,000 of Rossford/Perrysburg Township Joint Economic Development Authority/Port Authority Taxable Development Revenue Bonds, Series 2005. The proceeds of the revenue bonds were used to fund the completion of the OI World Headquarters office building. The Port Authority has leased the property on which this building is located and owns the building. The Port Authority has leased the building to OI Levis Park STS, Inc. The lease is non-cancelable until the underlying revenue bonds are paid in full. The lease payments cover the principal and interest payments on the Revenue Bonds, Series 2005. All expenses related to the revenue bonds and the maintenance of the building is the responsibility of OI Levis Park STS, Inc.

OI Levis Park STS, Inc. pays the lease payments directly to the trustee. In addition, an agreement to guarantee the indebtedness was executed by Owens-Brockway Glass Container, Inc. and the Port Authority.

In accordance with Governmental Accounting Standards, these revenue bonds issued by the Port Authority are considered conduit debt and do not create a liability and therefore are not presented on the Port Authority's financial statements. The Port Authority has no responsibility for the repayment of the debt and the lease payments are paid directly to the trustee by OI Levis Park STS, Inc.

NOTE 8: LIBERTY HI ROAD PROJECT

On August 17, 2010, the Port Authority contracted with the Ohio Department of Transportation, CSX Transportation, Inc., and Wood County whereby the Port Authority agreed to construct a grade separation at the intersection of Liberty Hi Road, in Henry Township, Wood County, Ohio. CSX Transportation, Inc. agreed to provide real property necessary for the construction of the roadway improvement valued at \$883,304 and it agreed to provide cash for the roadway improvement in the amount of \$5,774,470. The Port Authority also received a roadway improvement grant from the Ohio Department of Development in the amount of \$600,000. The roadway improvement was substantially completed by August 11, 2011.

NOTE 9: EAST BROADWAY CLEAN OHIO ASSISTANCE FUND GRANT

On May 28, 2010, the Port Authority obtained a grant in the amount of \$297,968 for the purpose of conducting a Phase II Environmental Assessment of a Brownfield located at 1769 East Broadway, Northwood, Ohio.

NOTE 10: WESTSIDE CORRIDOR PROJECT

Since 2003, efforts have been underway to purchase approximately 11 miles of the CSX Toledo Terminal Westside Corridor, located in Wood and Lucas County, Ohio, to preserve the rail right-of-way for future use. The rail corridor extends from Laskey Road, to River Road in Toledo, Lucas County, Ohio and from River Road (State Route 65) to Bates Road in Perrysburg Township, Wood County, Ohio.

A consortium of public entities combined to purchase the rail corridor using federal transportation funds. The consortium members include the Trust for Public Land, Metroparks of the Toledo Area, University of Toledo, City of Toledo, Wood County Park District, Wood County Port Authority, and the Toledo Metropolitan Area Council of Governments (TMACOG).

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 10: WESTSIDE CORRIDOR PROJECT (Continued)

Through the sale process, the Wood County Port Authority acquired the real property from River Road in Lucas County to River Road (State Route 65) in Wood County, including a bridge spanning the Maumee River and a value for the property and bridge was assigned to the Port Authority in the amount of \$320,091. The Port Authority intends to remove the bridge and insure that alternative transportation access is expanded to provide the crossing of the Maumee River from Wood to Lucas County.

NOTE 11: SUBSEQUENT EVENTS

Middleton Township, LLC – Conduit Debt

On July 25, 2012, the Port Authority issued \$10,500,000 of Wood County Port Authority Taxable Development Revenue Bonds, Series 2012. The proceeds of the revenue bonds are being used to fund the completion of a distribution center for Middleton Township OH (20750 Midstar) LLC. The Port Authority has leased the property on which this building is located and owns the building. The Port Authority has leased the building to Middleton Township OH (20750 Midstar) LLC. The lease is non-cancelable until the underlying revenue bonds are paid in full. The lease payments cover the principal and interest payments on the Revenue Bonds, Series 2012. All expenses related to the revenue bonds and the maintenance of the building is the responsibility of Middleton Township OH (20750 Midstar) LLC. Middleton Township OH (20750 Midstar) LLC pays the lease payments directly to the trustee.

In accordance with Governmental Accounting Standards, these revenue bonds issued by the Port Authority are considered conduit debt and do not create a liability and therefore are not presented on the Port Authority's financial statements. The Port Authority has no responsibility for the repayment of the debt and the lease payments are paid directly to the trustee by Middleton Township OH (20750 Midstar) LLC. During 2012, the Port Authority received the sum of \$50,000 in consideration for the issuance of the revenue bonds.



Dave Yost • Auditor of State

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

Wood County Port Authority
Wood County
932 Dixie Highway
Rossford, Ohio 43460-1333

To the Board of Directors:

We have audited the basic financial statements of the Wood County Port Authority, Wood County, Ohio (the Port Authority), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated December 12, 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

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 we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Port Authority's management in a separate letter dated December 12, 2012.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 12, 2012

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Material Weakness

Financial Statement Presentation

The Port Authority should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Port Authority's financial statements and related disclosures. These procedures should include Board review of the Port Authority's annual financial report and review of the Port Authority's accounting and financial reporting practices. Errors were identified in the financial statements and related note disclosures, resulting in material audit adjustments. The deficiencies resulting in audit adjustments consisted of, but were not limited to the following:

- Investment in Capital Assets was improperly classified as unrestricted in 2011 and 2010 in the amounts of \$6,968,695 and \$3,311,299, respectively;
- Recognition of payables and capitalization of assets not previously recognized (\$208,453); and
- Additional presentation of disclosures for Capital Assets and Risk Pool Membership.

The failure to record accurate financial activity on the financial statements and in the notes and lack of appropriate Board review and approval could result in material misstatements and inaccurate financial reporting.

We recommend the Port Authority implement review procedures to detect material financial statement errors, including Board review of the Port Authority's annual report for erroneous information and inaccurate presentation and classification. The Board should document this review in the minutes.

Officials' Response:

The Wood County Port Authority Board of Directors has a goal to maintain accurate financial statements. Through the use of the Port Authority's audit committee, in 2012 controls were established to more accurately track the dating of payables and the classification of assets.

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WOOD COUNTY PORT AUTHORITY

WOOD 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
DECEMBER 31, 2012**