SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN PORT AUTHORITY
SENECA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2013

Dave Yost • Auditor of State

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN PORT AUTHORITY
SENECA COUNTY

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INDEPENDENT AUDITOR'S REPORT

Sandusky County-Seneca County-City of Tiffin Port Authority
Seneca County
P.O. Box 767
Tiffin, Ohio 44883-0767

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Sandusky County-Seneca County-City of Tiffin Port Authority, Seneca County, Ohio (the Port Authority), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Port Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Port Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sandusky County-Seneca County-City of Tiffin Port Authority, Seneca County, Ohio, as of December 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

May 13, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

The discussion and analysis of Seneca County, Sandusky County, City of Tiffin Port Authority's (the Authority) financial performance provides an overall view of the financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

Total Net Position increased $60,186. Operating revenues were $249,417 and were considerable less due to less cars being shipped and operating expenses were $196,611 with depreciation expense being the largest expense of $128,596.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority as a financial whole, an entire operating entity.

The *Statement of Net Position* and *Statement of Revenue, Expenses and Changes in Net Position* provide information about the activities of the Authority, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances.

Reporting the Authority as a Whole:

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

These statements view the Authority as a whole and look at all financial transactions and ask the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Authority's *Net Position* and changes in those assets. This change in Net Position is important because it tells the reader whether the *financial position* of Authority has improved or diminished. The causes of this may be the result of many factors, some financial, some not. Non-financial factors include Ohio laws restricting revenue growth, facility conditions, and other factors.

The Authority as a Whole

Recall that the Statement of Net Position provides the perspective of the Authority as a whole. Table 1 provides a summary of the Authority's Net Position for 2013 compared to 2012:

Table 1
Net Position

	2013	2012
Assets		
Current Assets	$ 2,199,962	$ 2,246,851
Restricted Assets	933,347	898,888
Capital Assets	1,780,503	1,760,070
Total Assets	$ 4,913,812	$ 4,905,809
Liabilities		
Current and Other Liabilities	$ 88,882	$ 89,065
Long-term Liabilities	730,000	782,000
Total Liabilities	$ 818,882	$ 871,065
Net Assets		
Investment in Capital Assets, net	$ 973,502	$ 901,070
Restricted	933,347	898,888
Unrestricted	2,188,081	2,234,786
Total Net Position	$ 4,094,930	$ 4,034,744

Total assets increased $8,003. Cash and investments decreased $52,142 mainly due to a realized and unrealized loss on investments of $46,062. Table 2 shows the changes in Net Position for the year 2013 and 2012:

Table 2
Change in Net Position

	2013	2012
Operating Revenues	$249,417	$281,350
Operating Expenses	(196,611)	(223,266)
Operating Income	$52,806	$58,084
Non-Operating Revenues (Expenses):		
Interest and Dividends	53,442	58,482
Net Increase (Decrease) in Fair Value of	(46,062)	976
Total Non-Operating Revenues (Expenses)	7,380	59,458
Change in Net Position	$60,186	$117,542

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2013 the Authority had $1,780,503 (net of accumulated depreciation of $2,442,595) invested in land, infrastructure, and equipment Table 3 shows 2013 balances compared to 2012:

Table 3
Capital Assets (Net of Depreciation)

Business-Type Activities	2013	2012
Land	$310,004	$310,004
Railroad Track	3,499,909	3,350,880
Highway Crossing Signals	389,170	389,170
Equipment	24,015	24,015
Accumulated Deprecation	(2,442,595)	(2,313,999)
Totals	$1,780,503	$1,760,070

Debt

At December 31, 2013 the Authority had $807,000 in bonds outstanding, $77,000 due within one year.

Table 4
Outstanding Debt, at Year End

	2013	2012
Shipper Bonds Payable	$ 807,000	$ 859,000

For the Future

The Authority is strong financially. As the preceding information shows, the Authority heavily depends on service fees. However, financially the future is not without challenges especially with infrastructure repair including bridges and railroad crossings. Thus management must be diligently plan expenses, staying carefully within the Authority's budget. Additional revenues must not be treated as a windfall to expand services.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. James Supance, Chairperson of the Board, P.O. Box 767, Tiffin, Ohio 44883. Or e-mail at jsupance@supancehoward.com.

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Sandusky County-Seneca County-
City of Tiffin Port Authority
Statement of Net Position
December 31, 2013

Assets:		
Current Assets:		
Cash	$	3,985
Investments		2,129,416
Accounts Receivable - Net of $5,000		58,417
Accrued Interest		172
Prepaid Insurance		7,972
Total Current Assets		2,199,962
Investments - Restricted		933,347
Non-Current Assets:		
Non-Depreciable Capital Assets		310,004
Capital Assets, net of Depreciation		1,470,499
Net Capital Assets		1,780,503
Total Assets	$	4,913,812
Liabilities:		
Current Liabilities:		
Loan from Shippers Payable - Current Portion	$	77,000
Accounts Payable		11,882
Total Current Liabilities		88,882
Long-Term Liabilities:		
Loans from Shippers Payable		730,000
Total Liabilities		818,882
Net Position		
Investment in Capital Assets, net		973,502
Restricted for Debt Service		428,541
Restricted for Maintenance		504,806
Unrestricted		2,188,081
Total Net Position		4,094,930
Total Liabilities and Net Position	$	4,913,812

See Accompanying Notes to the Financial Statements.

Sandusky County-Seneca County-
City of Tiffin Port Authority

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2013

Operating Revenues:	
Charges for Services	$ 249,417
Operating Expenses:	
Outside Service Expense	22,213
Insurance Expense	21,330
Professional Expense	9,705
Property Tax Expense	11,876
Depreciation Expense	128,596
Miscellaneous Expense	2,891
Total Operating Expenses	196,611
Operating Income	52,806
Non-Operating Revenues (Expenses):	
Interest and Dividends	53,442
Net Decrease in the Fair Value of Investments	(46,062)
Total Non-Operating Revenues (Expenses)	7,380
Change in Net Position	60,186
Net Position Beginning of Year	4,034,744
Net Position End of Year	$4,094,930

See Accompanying Notes to the Financial Statements.

Sandusky County-Seneca County-
City of Tiffin Port Authority

Statement of Cash Flows
For the Year Ended December 31, 2013

Cash Flows from Operating Activities:	
Cash Received from Shippers and Operator	$244,245
Cash Paid for Services and Supplies	(86,557)
Net Cash Provided by Operating Activities	157,688
Cash Flows from Investing Activities:	
Purchase of Investments	47,134
Interest Income from Repurchased Agreement	192
Net Cash Provided by Investing Activities	47,326
Cash Flows from Capital and Related Financing Activities:	
Principal Repayment on Shipper Bonds	(52,000)
Purchase of Capital Assets	(149,029)
Net Cash Provided by Capital and Related Financing Activities	(201,029)
Net Increase in Cash and Cash Equivalents	3,985
Cash and Cash Equivalents, Beginning of Year	0
Cash and Cash Equivalents, End of Year	$3,985
Reconciliation of Change in Operating Income to Net Cash Provided by Operating Activities:	
Change in Operating Income	$52,806
Adjustments to Reconcile Change in Net Position to Net Cash from Operating Activities:	
Depreciation Expense	128,596
(Increase) in Accounts Receivable (Net)	(5,172)
(Increase) in Prepaid Expenses	(80)
(Decrease) in Accounts Payable	(18,279)
(Decrease) in Accrued Property Taxes	(183)
Total Adjustments	104,882
Net Cash Provided by Operating Activities	$157,688

See Accompanying Notes to the Financial Statements.

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1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

The Sandusky County-Seneca County-City of Tiffin Port Authority (the Authority) is a governmental subdivision created following enactment by the Ohio Legislature of the Ohio Port Authority Act. The Act permits the Authority to administer railroad services to area businesses that ship goods and economic development business within the State of Ohio. The Authority charges fees from these businesses for operations, replacement of infrastructure and repair and to pay off railroad debt. The Authority is governed by a Board of seven directors, two each which are appointed by Sandusky County, Seneca County and the City of Tiffin. In 2009 the Authority added the issuance of revenue bonds to provide financial assistance to private-sector, governmental and non-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary Government.” A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority does not have financial accountability over any entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Authority’s operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. All transactions are accounted for in a single enterprise fund. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in all material respects. The financial statements of Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Basic Financial Statements

The statement of Net Position and the statement of revenues, expenses, and changes in Net Position display information about the Authority as a whole. These statements include the financial activities of the primary government.

C. Fund Accounting

The Authority uses one fund to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Authority functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The one fund of the Authority is classified into one category: proprietary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds focus on the determination of the changes in Net Position, financial position and cash flows and are classified as either enterprise or internal service. The Authority has no internal service funds.

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Authority's transactions are accounted in a single enterprise fund.

D. 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 Authority are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases and decreases in Net Position. The statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

E. Cash Equivalents and Investments

For purposes of the Statement of Cash Flows all cash equivalents under 90 days maturity are included.

Investments are made in accordance with the Authority's investment policy, which conforms to statutes of the State of Ohio. Restricted investments represent balances restricted by agreement with shippers for debt service and maintenance of the railroad. All restricted investments are pooled with unrestricted investments to obtain the highest interest rate possible but have been separately identified in the accompanying financial statements.

In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools",* the Authority reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit and a repurchase agreement) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

F. Capital Assets

Property and infrastructure (railroad track and railroad ties) are recorded at cost, or fair market value is used when assets are acquired in a non-cash transaction, net of accumulated depreciation. Depreciation expense is provided using the straight-line method over the estimated useful life of the asset. Maintenance and repairs are charged to expense and improvements are capitalized. Interest on funds are used during construction, less interest earned on related investments if the assets if financed with the proceeds from restricted obligations, is capitalized as part of the cost of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Position investment in capital assets, net consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted net position assets consist of monies and other resources, which are restricted to satisfy debt service requirements as specified in a debt agreement. Restricted net position assets also include cash received from shippers who pay a fee per car ship for maintenance of the rail tracks and infrastructure.

H. Operating Revenues and Expenses

Operating revenues consist primarily of fees for services and other miscellaneous income. Nonoperating revenues are all revenues not meeting the definition of operating revenues and include interest and dividends from investments, unrealized gains, and realized gains on investments. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used of the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. The Authority did not have any non-exchange transactions this year.

Operating expenses include the cost of providing railroad services, including administrative expenses and depreciation on capital assets. Nonoperating expenses include interest expense on long-term debt, unrealized losses, and realized losses on investments.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Budgetary Process

The Authority has been notified by the Seneca County Auditor that it has waived the requirement to prepare a tax budget.

K. Subsequent Events

The Authority evaluated subsequent events through the date the financial statements were issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The Port Authority did not report any deferred outflows for 2013.

In addition to liabilities, the statement if net position may report deferred inflows of resources. Deferred inflows of resources represent ad acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Port Authority did not report any deferred inflows of resources for 2013.

M. Statement of Cash Flows

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

N. Change in Accounting Principle

For fiscal year 2013, the Port Authority has implemented GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*", Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Port Authority.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Port Authority's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows or resources or recognizes certain items that were previously reported as assets or liabilities as inflows of resources (revenues) or outflows of resources (expenses or expenditures). These changes were incorporated in the Port Authority's 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GSB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and, thereby, enhance the usefulness of the financial reports. The implementation of this statement did not result in any change to the Port Authority's financial statements.

3. DEPOSITS AND INVESTMENTS

Deposits

State statutes classify deposits held by the 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 Authority's 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 Authority 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 may be deposited or invested in the following securities:

1. United State 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 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 or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

3. DEPOSITS AND INVESTMENTS (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio); and

7. Securities lending agreements in which the Authority lends securities and the eligible institution agrees to exchange either securities described in division (A) or (B) or cash or both securities and cash, equal value for equal value;

8. High grade commercial paper in an amount not to exceed five percent of the Authority's total average portfolio;

9. Bankers' acceptances and commercial paper notes in an amount not to exceed two hundred and seventy days and in an amount not to exceed ten percent of the Authority's total average portfolio; and

10. Under limited circumstances, corporate debt interests rated in any of the three highest rating classifications by at least two nationally recognized rating agencies.

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

At year-end, the carrying amount of the Authority's deposits was $3,985 and the bank balance was $3,985 which is covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral pools at the Federal Reserve Banks or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits covered by Federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments

The Authority held Certificates of Deposit, Federal Government Agency Bonds and Notes, Money Market Funds, and a Repurchase Agreement during the year. Investments are made in accordance with statutes of the State of Ohio and the Investment Policy of the Board of Directors.

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the entity. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the entity's name.

	Moody's	Fair Value	Percentage	Investment Maturities (In Years)			
	Rating	Category 1	Held	Less than 1	1-3	3-5	More than 5
Croghan Colonial Bank-CD	N/A	$ 96,069	3.1%	$ -	$ 96,069	$ -	$ -
Sutton State Bank-CD	N/A	38,050	1.2%	38,050	-	-	-
Fifth Third-CD	N/A	103,430	3.4%	-	103,430	-	-
Old Fort Banking Co.-CD	N/A	94,037	3.1%	94,037	-	-	-
Old Fort Banking Co.-CD	N/A	82,259	2.7%	-	82,259	-	-
1st Bank of Ohio-CD	N/A	105,882	3.5%	-	105,882	-	-
Total Category 1		$ 519,727	17.0%	$ 132,087	$387,640	$ -	$ -
		Category 3					
Old Fort Banking Repurchased Agreement	N/A	$ 144,392	4.7%	$ 144,392	$ -	$ -	$ -

3. DEPOSITS AND INVESTMENTS (Continued)

	Moody's Rating	Fair Value Category 1	Percentage Held	Investment Maturities (In Years) less than 1	1-3	3-5	more than 5
Fifth Third Securities:							
Barclays Bank CD	N/A	$ 10,581	0.3%	$ -	$ 10,581	$ -	$ -
Citicorp Mrtg Sec Series 2007	Baa1	26,007	0.8%	-	-	-	26,007
Discover Bank CD	N/A	22,874	0.7%	-	-	-	22,874
Federal Home Loan Banks	Aaa	20,158	0.7%	20,158			
Federal National Mortgage Ass	B	862	0.0%	-	-	-	862
FT Unit FT GNMA Reinvestmen	N/A	392,866	12.8%	-	-	-	392,866
GE CAP Retail BK Draper Utah	N/A	34,444	1.1%	-	-	-	34,444
Govt National Mortgage Assn	N/A	35,703	1.2%	-	-	-	35,703
Harris Natl Assn CD	A1	81,933	2.7%	81,933	-	-	-
HSBC Bank CD	Aa3	54,290	1.8%	-	-	-	54,290
JP Morgan Chase Bank CD	N/A	27,142	0.9%				27,142
Federated Prime Val Obligation	N/A	16,727	0.5%	16,727	-	-	-
Subtotal		723,587	23.6%	118,818	10,581	-	594,188
Huntington Private Financial:							
Huntington Treasury Money Ma	N/A	9,622	0.3%	9,622	-	-	-
Ally Bank CD	N/A	56,493	1.8%	-	56,493	-	-
Ally Bank CD	N/A	92,898	3.0%	92,898	-	-	-
Charter Bank Eau Claire	N/A	67,129	2.2%	67,129	-	-	-
Discover Bank CD	N/A	35,869	1.2%	-	35,869	-	-
Doral Bank CD	N/A	28,075	0.9%	28,075	-	-	-
Doral Bank CD	N/A	69,516	2.3%	-	69,516	-	-
Farmers and Merchants CD	N/A	50,865	1.7%	50,865	-	-	-
FHLB Series	N/A	97,818	3.2%	-	-	-	97,818
FFCB	N/A	128,632	4.2%	-	-	-	128,632
GE Money Bank CD	N/A	73,369	2.4%	-	73,369	-	-
GE Money Bank CD	N/A	51,165	1.7%	-	51,165	-	-
Goldman Sachs Bank USA CD	N/A	19,414	0.6%	-	-	-	19,414
Horry County State Bank CD	N/A	54,107	1.8%	-	54,107	-	-
Sunsouth Bank CD	N/A	22,077	0.7%	22,077	-	-	-
Subtotal	N/A	857,049	28.0%	270,666	340,519	-	245,864
KeyBanc Capital Markets:							
Goldman Sachs Bank CD	N/A	27,160	0.9%	27,160	-	-	-
Goldman Sachs Bank CD	N/A	72,178	2.4%	72,178	-	-	-
Goldman Sachs Bank CD	N/A	58,255	1.9%	-	58,255	-	-
Goldman Sachs Bank CD	N/A	63,325	2.1%	-	63,325	-	-
Ally Bank CD	N/A	69,641	2.3%	-	69,641	-	-
CIT Bank Salt Lake City UT CD	N/A	90,556	3.0%	-	90,556	-	-
Discover Bank	N/A	85,800	2.8%		85,800	-	-
Federal Natl Mortgage Assn	N/A	65,178	2.1%	-	-	65,178	
First Bank Puerto Rico, CD	Ba3	22,132	0.7%	-	22,132	-	-
First Bank Puerto Rico, CD	N/A	93,407	3.0%	-	93,407	-	-
Home Federal Savings Bank M	N/A	55,051	1.8%	55,051	-	-	-
MidFirst Bank Oklahoma City C	N/A	11,010	0.4%	11,010			
Paragon Coml Bank CD	NR	99,426	3.2%	-	99,426	-	-
Accrued Interest	N/A	1,692	0.1%	1,692	-	-	-
Federated Money Market	N/A	3,197	0.1%	3,197	-	-	
Subtotal		818,008	26.7%	170,288	582,542	65,178	-
Total Investments		$ 3,062,763	100.0%	$ 836,251	$ 1,321,282	$ 65,178	$ 840,052

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state laws, the Authority limits investments to those permitted by Ohio Revised Code which is five years or less.

Credit Risk – The Authority limits investments to securities specifically authorized by Ohio Revised Code.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Authority's investments in federal agency securities, the entire balance is uninsured, not registered in the name of the Authority, and are held by the counterparty.

3. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk – Concentration of credit risk exists when investments are concentrated in one issue. Currently the Authority does not have a policy, but individual investments are all less than 5% of the total investments.

4. CAPITAL ASSETS

A summary of railroad property and equipment at December 31, 2013 is as follows:

	Beginning Balance 12/31/2012	Additions	Disposals	Ending Balance 12/31/2013
Land	$ 310,004	$ -	$ -	$ 310,004
Railroad Track	3,350,880	149,029	-	3,499,909
Highw ay Crossing Signal	389,170	-		389,170
Equipment	24,015	-	-	24,015
Totals	$4,074,069	$ 149,029	$ -	$4,223,098

	Accumulated Depreciation 12/31/2012	Depreciation	Disposals	Accumulated Depreciation 12/31/2013
Railroad Track	$2,202,700	$ 115,163	$ -	$2,317,863
Highw ay Crossing Signal	90,516	12,972	-	103,488
Equipment	20,783	461	-	21,244
Totals	2,313,999	128,596	-	2,442,595
Net Book Value	$ 1,760,070	$ 20,433	$ -	$1,780,503

Depreciation was taken on the railroad track over a thirty-year life and on equipment over a fifteen-year life. A detailed inventory by class did not exist at the date that the original track and property was transferred to the Authority. However, most of the inventory was railroad track and signals. Since a detailed inventory is not available, items that are replaced are considered to be fully depreciated and the replaced items are not deducted from the capital asset balance because they are not known.

5. LONG TERM DEBT

Non-interest revenue bonds were issued in 1989 pursuant to authorization of the Ohio Revised Code in the amount of $1,117,000 to various shippers who use the railroad. The bonds proceeds were used to purchase 25.1 miles of railroad from Conrail on May 16, 1990. Generally Accepted Accounting Principles normally require that non-interest revenue bonds be discounted and an implicit interest rate be established. In 1990 management was aware that Bondholders would not begin to redeem their bonds until 20 years later. Since bond and interest would not be paid during the 20 year time resolved to carry the bonds at the non-interest amount issued.

In 2005, a bond of $50,000 was issued to Northern Ohio and Western Railway replacing Sagamore National Corporation as operator. Northern Ohio and Western Railway's bond was surrendered as part of a new operating agreement that went into effect February 2005. Debt service requirements on each bond issue are secured by future revenue from shippers who will utilize the railroad to be financed. Debt service requirements are being kept in a Restricted for Debt Service account until the bonds come due through 2028.

5. LONG TERM DEBT (Continued)

	Beginning Balance 12/31/2012	Issued	Redeemed	Ending Balance 12/31/2013	Due Within One Year
Revenue Bonds	$ 859,000	$ -	$52,000	$ 807,000	$77,000

The annual requirements to amortize all bonded and loan debt outstanding as of December 31, 2013:

Year Ending 12/31/2013	Shipper Bonds
2014	$ 77,000
2015	52,000
2016	52,000
2017	52,000
2018	52,000
2019-2023	260,000
2024-2028	262,000
Total Principal	$ 807,000

6. RESTRICTED FOR DEBT SERVICE

A reserve has been established for future payment of revenue bonds. The restricted balance for 2013 is $428,541 and is the current balance of the reserve at year-end. This year's annual reserve requirement was $30,603 and was calculated using the estimated interest income rate of 2.75 percent ($10,800) plus an amount of $19,803 that was calculated to pay-off the bonds.

7. RESTRICTED FOR MAINTENANCE

Both the shippers and the operator are charged a fee to offset repairs and replacement costs based on the number of cars shipped. The charge for the shippers is generally $15 per car, but the "per car" amount may vary. The operator was charged $7 per car. Maintenance expenses are closed to this reserve at the end of the year. The balance at yearend in the Restricted for Maintenance account is $504,806.

8. OPERATOR

Northern Ohio and Western Railway is the current operator for the Authority. For the year ended December 31, 2013, Northern Ohio and Western Railway accounted for approximately $94,036 (38%), of the Authority's operating income. In June 2010, an extension of the operating agreement for the first five year extension was entered for the period January 2011 until December 2015. The agreement can be extended for three additional five-year terms if both parties agree six months prior to the expiration of the then current term.

8. OPERATOR (Continued)

Northern Ohio and Western Railway is to pay an operator fee per month based on the following cars shipped:

1-117	$4,500
118-200	$5,500
201-284	$6,500
285-367	$7,500
368 and over	$8,500

In addition Northern Ohio and Western Railway is to pay $7 per revenue car that is shipped for maintenance and repair. The maintenance and repair fee is required to be reserved in an interest bearing account.

9. RISK MANAGEMENT

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

The Authority does not have a "self-insurance" fund with formalized risk management programs. During 2013, the Authority purchased property, public official's liability, railroad liability, and bond policies from United Insurance Service.

Settled claims have not exceeded this commercial coverage in any of the past three year and there has been no significant reduction in insurance coverage from last year.

10. CONDUIT DEBT

In 2010 the Authority began issuing revenue bonds to provide financial assistance to private-sector, governmental and non-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments on the underlying mortgage loans. Upon repayment of the obligations, ownership of the acquired facilities transfers to the entity served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The Authority has also hired Argus Growth Consultants, Ltd. to provide consulting services in the issuance of revenue bonds as it presently does not have the staff to provide these services.

As of December 31, 2013 there are no series of Revenue Bonds outstanding.

11. OUTSIDE CONTRACT

The Authority does not have any employees or offices. Books of account and operations are handled by the Seneca Industrial and Economic Development Corporation who receives a monthly fee of $1,833.

12. RELATED PARTY TRANSACTIONS

The Secretary of the Board is an employee of the Seneca Industrial and Economic Development Corporation who receives a monthly operating fee as mentioned in Note 11.

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

Sandusky County-Seneca County-City of Tiffin Port Authority
Seneca County
P.O. Box 767
Tiffin, Ohio 44883-0767

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements Sandusky County-Seneca County-City of Tiffin Port Authority, Seneca County, Ohio (the Port Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated May 13, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Port Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Port Authority's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Port Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Port Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State

Columbus, Ohio

May 13, 2014

SCHEDULE OF FINDINGS
DECEMBER 31, 2013

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code, § 5705.41(D)(1), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Fiscal Officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the Fiscal Officer can certify both at the time the contract or order was made ("then"), and at the time the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

   Amounts less than $3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the transactions tested were certified by the Fiscal Officer at the time the commitment was incurred. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

FINDING NUMBER 2013-001
(Continued)

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of the Port Authority funds being over expended or exceeding budgetary spending limitations as set by the Board. To improve controls over disbursements, we recommend all the disbursements receive prior certification from the Fiscal Officer and the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Fiscal Officer and recorded against appropriations.

Officials' Response:

The Board will address this issue at the next board meeting.

SANDUSKY-SENECA-CITY OF TIFFIN PORT AUTHORITY

SENECA 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
MAY 29, 2014

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