SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2013

Dave Yost • Auditor of State

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

Southeastern Ohio Port Authority
Washington County
710 Colegate Drive
Marietta, Ohio 45750

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, 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 those risks of financial statement material 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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southeastern Ohio Port Authority, Washington County, as of December 31, 2012, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 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
Auditor of State

Columbus, Ohio

August 29, 2014

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2013

Assets		
Cash and Cash Equivalents	$	91,144
Accounts Receivable		3,350
Intergovernmental Receivable		734,856
Prepaid Insurance		1,278
Construction in Progress		1,939,182
Non-Depreciable Capital Assets		124,950
Depreciable Capital Assets, Net		460
Total Assets		2,895,220
Liabilities		
Current Liabilities:		
Accounts Payable		28
Contracts Payable		360,823
Retainage Payable		178,595
Intergovernmental Payable		4,044
Accrued Leave Benefits Payable		2,098
Long-Term Liabilities:		
Loan Payable		321,601
Total Liabilities		867,189
Net Position		
Net Invested in Capital Assets		1,203,573
Unrestricted		824,458
Total Net Position	$	2,028,031

See accompanying notes to the basic financial statements.

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

Operating Revenues	
Donations	$ 81,100
Charges for Services	59,086
County Contribution	90,000
Miscellaneous	23,398
Total Operating Revenues	253,584
Operating Expenses	
Salaries and Benefits	176,139
Contractual Services	142,278
Office Expenses	10,268
Professional Fees	6,508
Travel and Memberships	10,098
Marketing	15,043
Rent	900
Insurance and Bonding	3,799
Miscellaneous	16,110
Depreciation Expense	204
Total Operating Expenses	381,347
Operating Gain (Loss)	(127,763)
Non-Operating Revenue/(Expense):	
Interest Income	6
Capital Grants	1,725,360
Operating Grants	51,929
Debt Issuance Costs	(14,020)
Interest and Fiscal Charges	(4,509)
Total Non-Operating Revenues/(Expenses)	1,758,766
Change in Net Position	1,631,003
Net Position Beginning of Year (As Restated - Note 3)	397,028
Net Position End of Year	$ 2,028,031

See accompanying notes to the basic financial statements.

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Donors	$	167,750
Cash Received from Customers		59,086
Cash Payments for Employee Services and Benefits		(170,753)
Cash Payments for Goods and Services		(202,657)
Other Operating Revenues		23,398
Other Operating Expenses		(16,110)
Net Cash Used for Operating Activities		(139,286)
Cash Flows from Noncapital Financing Activities		
Grants Available for Operating Purposes		154,116
Cash Flows from Capital and Related Financing Activities		
Capital Grants		991,001
Payments for Capital Acquistions		(1,280,689)
Proceeds from Loans		1,179,296
Principal Paid on Debt		(857,695)
Interest Paid on Debt		(4,509)
Debt Issuance Costs		(14,020)
Net Cash Provided for Capital and Related Financing Activities		13,384
Cash Flows from Investing Activities		
Interest Earned from Bank Accounts		6
Net Cash Provided by Investing Activities		6
Net Increase in Cash and Cash Equivalents		28,220
Cash and Cash Equivalents Beginning of Year		62,924
Cash and Cash Equivalents End of Year	$	91,144

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$	(127,763)
Depreciation		204
Changes in Assets and Liabilities:		
Increase in Accounts Receivable		(3,350)
Decrease in Prepaid Insurance		17
Decrease in Accounts Payable		(14,536)
Increase in Intergovernmental Payable		4,044
Increase in Accrued Leave Benefits Payable		2,098
Net Cash Used for Operating Activities	$	(139,286)

See accompanying notes to the basic financial statements.

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NOTE 1 - REPORTING ENTITY

The Southeastern Ohio Port Authority, Washington County (the Port Authority), was created during 2003 by the Washington County Commissioners pursuant to Sections 4582.202 through 4582.58, inclusive of the Ohio Revised Code, for the purpose of promoting the manufacturing, commerce, distribution, research, and development interests of Southeastern Ohio, including rendering financial and other assistance to such enterprises situated in the region. Other purposes include to induce the location in Southeastern Ohio of other manufacturing, commerce, distribution, and research entities to purchase, subdivide, sell, and lease real property in Southeastern Ohio. The Port Authority also strives to erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio.

The Port Authority Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Washington County Commissioners. As such, it is considered a discretely presented component unit of Washington County. Currently, fifteen (15) Directors serve on the Board.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 most significant of the Port Authority's accounting policies are described below.

A. Basis of Presentation

The Port Authority's financial statements consist of government-wide statements, including the statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows.

B. Measurement Focus

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the Statement of Net Assets.

The Statement of Revenues, Expenses and Changes in Net Assets 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 business-type activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Revenues - Exchange and Non-exchange Transactions: 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.

Nonexchange transactions, in which the Port Authority receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Port Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Port Authority on a reimbursement basis.

Expenses: On the accrual basis of accounting, expenses are recognized at the time they are incurred.

D. Budgetary Process

The Ohio Revised Code requires that the Port Authority Board of Directors prepare an annual budget.

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level, and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments.

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

Encumbrances: The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

E. Cash

Cash assets are maintained in non-interest bearing and interest bearing checking, savings and money market accounts.

The Port Authority had no investments during the year or at year end.

F. Receivables and Payables

Receivables and payables are recorded on the Port Authority's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and, in the case of receivables, collectability.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. All capital assets are depreciated, except for land and construction in progress. Depreciation is computed using the straight-line method over five years of the useful lives for Machinery and Equipment.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "accrued leave benefits payable". The balances are to be used by employees in the year following the year in which the benefit was earned.

J. Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and liabilities used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Port Authority does not have restricted net position.

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Port Authority. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority. Revenues and expenses not meeting these definitions are reported as non-operating.

L. Estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. The Port Authority did not have any extraordinary or special items in 2013.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

A. Changes in Accounting Principles

For 2013, the Port Authority implemented Governmental Accounting Standard Board (GASB*) Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 3".* This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the Port Authority's financial statements.

B. Restatement of Prior Year Balances

The Port Authority has restatements for capital assets and debt adjustments due to the Port Authority incorrectly reporting debt and its related capital asset in the previous year that was conduit debt.

Net Position at December 31, 2012	$153,003
Capital Assets Restatement	(3,872,736)
Debt Adjustment	4,116,761
Restated Net Position at December 31, 2012	$397,028

NOTE 4 - DEPOSITS AND INVESTMENTS

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

1. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Port Authority Treasury, in commercial accounts payable or that can be withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
2. Inactive deposits are public deposits that the Port 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.
3. 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.

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Protection of the Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-loan money market mutual funds;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the Port Authority has not purchased these types of investments or issued these types of notes. 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.

Investment may only be made through specified dealers and institutions. Payments for investments may be made only upon 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.

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 year end, all of the Port Authority's bank balance of $159,968 was covered by the FDIC. Although all statutory requirements for the deposit of money had been followed, non-compliance 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 credit 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 County 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 105 percent of the deposits being secured.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2013, consisted of accounts and intergovernmental receivables. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables arising from grants awarded to the Port Authority follows:

	Amounts
Appalachian Regional Commission Grant	$61,348
Community Development Block Grant	913
Job Ready Site Grant	196,739
Rural Development Initiative Grant	475,359
Third Frontier Grant	497
Total Intergovernmental Receivable	$734,856

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was a follows:

	Balance 12/31/2012*	Additions	Reductions	Balance 12/31/2013
Non-Depreciable Capital Assets:				
Land	$124,950	$0	$0	$124,950
Construction in Progress	119,075	1,820,107	0	1,939,182
Total Non-Depreciable Capital Assets	244,025	1,820,107	0	2,064,132
Depreciable Capital Assets:				
Machinery and Equipment	7,510	0	0	7,510
Accumulated Depreciation:				
Machinery and Equipment	(6,846)	(204)	0	(7,050)
Total Depreciable Capital Assets, Net	664	(204)	0	460
Capital Assets, Net	$244,689	$1,819,903	$0	$2,064,592

* As Restated, see Note 3.

NOTE 7 - RISK MANAGEMENT

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port Authority contracts with Peoples Insurance Agency who, on behalf of the Port Authority, negotiates property and casualty insurance coverage with Cincinnati Insurance Company and CAN Insurance Company for management and professional insurance coverage.

NOTE 7 - RISK MANAGEMENT (Continued)

The following lists the coverage limits and deductibles:

Property ($500 deductible):	
Building	$2,250,000
Contents	50,000
Crime ($250 Deductible):	
Employee Dishonesty / Forgery or Alteration	50,000
General Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Products-Completed Operations Aggregate Limit	2,000,000
Personal & Advertising Injury Limit	1,000,000
Damage to Rented Premises	100,000
Medical Expense Limit	5,000
Directors & Officers Liability:	
Each Occurrence	1,000,000
Scheduled Retention	2,500

Bond Coverage for the Secretary/Treasurer is included in Non-Profit Organization and Management Liability Insurance Policy.

There were no significant reductions in coverage from prior years. Settlements have not exceeded coverage in any of the last three years.

The Port Authority pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. The Ohio Revised Code authorizes OPERS to calculate employee contribution rates for public safety employees and limits the law enforcement rate to the public safety rate plus an additional percentage not to exceed two percent. For 2013, member and employer contribution rates were consistent across all three plans.

The Port Authority's 2013 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.00 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent Employer contribution rates are actuarially determined.

The Port Authority's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011, were $15,527, $12,498, and $11,429, respectively. For 2013, 90.83 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

NOTE 9 - POSTEMPLOYMENT BENEFITS

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Port Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011, were $1,194, $756, and $691, respectively. For 2013, 90.83 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

NOTE 10 - SIGNIFICANT COMMITMENTS

As of December 31, 2013, the Port Authority had a contractual purchase commitment as follows:

Project	Purchase Commitment	Amounts Paid as of 12/31/2013	Amount Remaining on Contract
Ingenuity Center	$2,117,154	$1,939,182	$177,972

NOTE 11 - LONG-TERM OBLIGATIONS AND OTHER OBLIGATIONS

Changes in the Port Authority's long-term obligations during the year consisted of the following:

	Original Issue Amount	Principal Outstanding 12/31/2012*	Additions	Deductions	Principal Outstanding 12/31/13	Amounts Due within One Year
Peoples Bank Loan	$862,500	$0	$1,179,296	$857,695	$321,601	$0

* As Restated, see Note 3.

In April 2014, the Port Authority entered into a Bridge Loan with Peoples Bank, National Association, in the amount of $862,500 at a 5.25% interest rate for the purpose of construction of the Ingenuity Center. As of December 31, 2013, this loan has not been fully drawn down and no amortization schedule exists. The loan will be repaid using grant monies.

Conduit Debt

Pursuant to State statue, the Port Authority has issued revenue bonds, hospital revenue bonds, and obtained an Ohio Water Development Authority (OWDA) loan to provide financial assistance to private sector entities for new construction or improvements. Neither the Port Authority, the State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

NOTE 11 - LONG-TERM OBLIGATIONS AND OTHER OBLIGATIONS (Continued)

As of December 31, 2013, there are $142,785,000 of 2012 Hospital Facilities Revenue Refunding and Improvement Bonds outstanding. These Bonds mature in various annual amounts through 2042, interest is due semiannually at rates ranging from 3% to 6%.

The Southeastern Ohio Port Authority entered into a private/public partnership with Eramet Marietta, LLC, Americas Styrenics, Solvay Advanced Polymers, and Energizer for the construction and lease of Good River Distribution, LLC. Good River Distribution, LLC, is a water production facility located across from the aforementioned industries on the banks of the Ohio River. The Good River Distribution, LLC, water production facility provides process water and fire water to the partner industries. Good River Distribution, LLC, is owned by the Southeastern Ohio Port Authority until such time as the lease repayments are complete.

During 2012, Southeastern Ohio Port Authority obtained a state assistance Revenue Bond, Series 2012 in the amount of $4,175,000 to acquire, install, and construct a water screening, service water supply, and pumping system. The interest rate is 4.375% and the maturity date is June, 2027. As of December 31, 2013, $3,980,000 of the revenue bond is outstanding.

During 2012, Southeastern Ohio Port Authority obtained a loan in the amount of $6,000,000 from the OWDA for construction, maintenance, and operation of Good River Distribution, LLC. The loan will be repaid solely by lease payments received from members of Good River Distribution, LLC. The maturity date is January, 2028. As of December 31, 2013, $5,634,612 remains on the loan.

NOTE 12 - SUBSEQUENT EVENTS

On May 14, 2014, The Port Authority entered into an agreement to purchase, then sell the Army Reserve Center to the Reserve Center Business Park, LLC for a price of $550,000.

On April 1, 2014, the Port Authority received a $484,970 Rural Industrial Park Loan from the Ohio Department of Development for completion of the Ingenuity Center located at 300 Commerce Drive in Marietta, Ohio.

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

Southeastern Ohio Port Authority
Washington County
710 Colegate Drive
Marietta, Ohio 45750

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 basic financial statements of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated August 29, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

August 29, 2014

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2012-001	Noncompliance/Material Weakness - Ohio Admin Code 117-2-02(A) – for improper postings.	Yes	N/A

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Dave Yost • Auditor of State

SOUTHEASTERN OHIO PORT AUTHORITY

WASHINGTON 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
SEPTEMBER 16, 2014