



Dave Yost • Auditor of State

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Basic Financial Statements:	
Statement of Fund Net Position Proprietary Fund – December 31, 2014.....	3
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Fund – December 31, 2014.....	4
Statement of Cash Flows Proprietary Fund – December 31, 2014.....	5
Notes to the Basic Financial Statements – December 31, 2014	7
Basic Financial Statements:	
Statement of Fund Net Position Proprietary Fund – December 31, 2013.....	19
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Fund – December 31, 2013.....	20
Statement of Cash Flows Proprietary Fund – December 31, 2013.....	21
Notes to the Basic Financial Statements – December 31, 2013	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	33
Schedule of Findings.....	35
Schedule of Prior Audit Findings.....	37

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Columbiana County Port Authority
Columbiana County
1250 St. George Street
East Liverpool, Ohio 43920

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the of Columbiana County Port Authority, Columbiana County, Ohio (the "Port Authority"), as of and for the years ended December 31, 2014 and 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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Columbiana County Port Authority, Columbiana County as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

The Port Authority has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2015, 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 12, 2015

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

**STATEMENT OF NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

Assets:	
Equity in pooled cash and cash equivalents	\$5,808,755
Account Receivable:	
Trade	197,201
Allowance for Doubtful Accounts	(1,250)
Prepayments (Insurance, Subscriptions, Lease Expense)	145,186
Notes Receivable	5,600
Workers' Compensation Deposit	10
Land	1,579,972
Construction in progress	620,484
Property, plant and equipment	30,692,224
Accumulated Depreciation	<u>(8,845,788)</u>
 Total Assets	 <u>30,202,394</u>
Liabilities:	
Accounts Payable	54,092
Unearned Revenue	5,026,724
Rural Industrial Loan Forgiveness	(135,000)
FICA Payable	796
PERS Payable	8,722
State W/H Payable	1,572
Local W/H Payable	1,728
Workers Compensation Payable	1,717
Miscellaneous Payable	500
Accrued wages and benefits	78,140
Long-Term Liabilities:	
Due within one year	773,202
Due in more than one year	<u>2,109,215</u>
 Total Liabilities	 <u>7,921,408</u>
Net Position:	
Net Investment in Capital Assets	21,164,475
Unrestricted	<u>1,116,511</u>
 Total Net Position	 <u><u>\$22,280,986</u></u>

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

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

Operating Revenues:	
Rent	\$1,060,328
Grants	3,759,231
Utilities	216,402
Miscellaneous	<u>308,637</u>
Total Operating Cash Revenues	<u>5,344,597</u>
Operating Expenses:	
Advertising	22,145
Auto Expense	10,482
Bank Service Charges	167
Continuing Education	6,550
Contracted Labor	11,720
Depreciation Expense	1,115,172
Directors' Fees	38,300
Dues and Subscriptions	46,940
Electric	182,757
Employee Benefits	71,813
Gas	135,290
Insurance	271,834
Licenses Fees and Permits	50,157
Miscellaneous	2,006
Office & Postage Expense	11,731
Pension Plan	142,922
Professional Fees	204,131
Repairs and Maintenance	8,110
Rent	211,769
Salaries	230,053
Supplies	4,725
Taxes	129,011
Travel and Entertainment	20,763
Telephone	8,182
Trash Removal	3,782
Water	5,474
Utilities	<u>1,142</u>
Total Operating Expenses	<u>2,947,129</u>
Operating Income/(Loss)	<u>2,397,468</u>
Non-Operating Revenues/(Disbursements):	
Other Expense	(50,797)
Interest Expense	(41,886)
Loss on Sale of Assets	(1,601,914)
Interest Income	<u>1,931</u>
Total Non-Operating Revenues/(Disbursements)	<u>(1,692,666)</u>
Change in Net Position	704,802
Net Position Beginning of Year	<u>21,576,184</u>
Net Position End of Year	<u><u>\$22,280,986</u></u>

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

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Amounts
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Rent	\$ 1,066,889
Other Cash Receipts	292,594
Cash Payments to Employees for Services	(427,219)
Cash Payments for Employee Benefits	(229,842)
Cash Payments for Goods and Services	(1,119,423)
	(417,001)
<i>Net Cash Provided by (Used in) Operating Activities</i>	
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	3,759,231
CIP Adjustment	(614,673)
Other Expense	(50,797)
	3,093,761
<i>Financing Activities</i>	
Cash Flows from Capital and Related Financing Activities	
Principal Borrowed on Notes	38,545
Principal Paid on Notes	(523,861)
Interest Paid on Notes	(41,886)
Payments for Capital Acquisitions	(430,039)
Proceeds from sale of assets	3,247,029
	2,289,788
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	
Cash Flows from Investing Activities	
Interest on Investments	1,931
	1,931
<i>Net Cash Provided by (Used in) Investing Activities</i>	
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	
	4,968,479
<i>Cash and Cash Equivalents Beginning of Year</i>	
	840,276
<i>Cash and Cash Equivalents End of Year</i>	
	\$ 5,808,755
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Gain (Loss)	\$ 704,802
Adjustments:	
Depreciation	1,115,171
Interest	41,886
Loss on Sale of Asset	1,601,914
Other Expense	50,797
Interest Income	(1,931)
(Increase) Decrease in Assets:	
Accounts Receivable	(159,590)
Accounts Receivable Grants	(3,759,231)
Prepaid items	16,517
Increase (Decrease) in Liabilities:	
Accounts Payable	7,813
Accrued Wages	1,615
Compensated Absences Payable	6,956
Accrued Interest	(36,633)
Payroll Taxes Payable	(7,087)
	(417,001)
<i>Net Cash Provided by (Used in) Operating Activities</i>	
	\$ (417,001)

See accompanying notes to the basic financial statements

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**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

NOTE 1 - DESCRIPTION OF REPORTING ENTITY

The Columbiana County Port Authority, (the "Port Authority"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority is governed by a Board of Directors. Members of the Board are appointed by the Columbiana County Commissioners. The Port Authority provides the following services which are defined by Chapter 4582 of the Ohio Revised Code and which services include but are not limited to the power to purchase, construct, re-construct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

Columbiana County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Columbiana County maintains its own accounting functions, is a separate reporting entity, and its financial activity is not included within the financial statements of the Port Authority.

The general office of the Port Authority is located within the City of East Liverpool. These entities maintain their own accounting functions, are separate reporting entities, and their financial activities are not included within the financial statements of the Port Authority.

The Port Authority is a self-sufficient enterprise, which does not receive funding from Columbiana County, the City of East Liverpool, or the East Liverpool City School District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements of Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (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 more significant of the Port Authority's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Position. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Cash and Cash Equivalents

All funds of the Port are maintained in demand depository accounts. These depository accounts are presented on the statement of net position as “cash and cash equivalents”.

D. Budgetary Data

Ohio Revised Code Section 4582.13 requires the Port Authority annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

E. Accounts Receivable

Accounts receivable includes a Trade Accounts Receivable in the amount of \$155,562 and a Fiber Line in the amount of \$41,639, for a total Accounts Receivable of \$197,201. An allowance for doubtful accounts of (\$1,250) is associated with the receivable.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The Port Authority maintains a capitalization threshold of \$500.00. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All capital assets except Land and Construction in Progress are depreciated using the straight line method over the estimated lives as follows:

<u>Description</u>	<u>Estimated Lives</u>
Equipment	3-10
Furniture and Fixtures	3-10
Automobiles	3-5
Signage	10-15
Buildings	10-30
Land Improvements	10-30
Railroad	10-30

G. Capitalization of Interest

The Port Authority’s policy is to capitalize net interest on construction projects until substantial completion of the project. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2014, the Port Authority incurred no interest which was capitalized.

H. Operating and non-operating revenues and expenses

Operating revenues are those revenues that are generated directly by the Port Authority’s primary mission. For the Port Authority, operating revenues include railroad track use and trackage fees, property lease income, railroad maintenance fees and related market and document fees. Operating expenses are necessary costs incurred to support the Port Authority’s primary mission, including depreciation.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Non-operating revenues and expenses are those that are not generated directly by the Port Authority's primary mission. Interest income and expense, gain/loss on sale of assets and other expenses comprise the non-operating revenues and expenses of the Port Authority.

I. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consist of capital assets, net of accumulated depreciation and net of related debt. 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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority in 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 Port Authority Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, cash on hand of \$500 or in money market deposit accounts. Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current two 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, pass book 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.

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) and by eligible securities pledged by the financial institution as security for repayment, but 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.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 3 – DEPOSITS AND INVESTMENTS – (Continued)

Interim monies can be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds 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;
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 through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

The Port Authority may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the Port Authority.

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

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

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 3 – DEPOSITS AND INVESTMENTS – (Continued)

As of December 31, 2014, the carrying amount of the Port Authority's deposits totaled \$5,808,255 and its bank balance was \$5,811,639. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2014, \$0 was exposed to custodial risk as discussed below, while \$2,938,537 was covered by the Federal Depository Insurance Corporation and \$2,873,102 was collateralized by the financial institution's public entity deposit pool.

Custodial credit risk is the risk that in the event of bank failure, the Port 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, as permitted by the Ohio Revised Code, is held in single financial institution 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 or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

NOTE 4 - CAPITAL ASSETS

A summary of the property, plant and equipment purchased as of December 31, 2014, follows:

	Balance 12-31-2013	Additions	Deletions	Balance 12-31-2014
Capital assets not being depreciated:				
Land	\$1,568,730	\$22,901	\$11,659	\$1,579,972
Construction in progress	2,085,358	617,776	2,082,650	620,484
	<u>3,654,088</u>	<u>640,677</u>	<u>2,094,309</u>	<u>2,200,456</u>
Capital assets being depreciated:				
Automobiles	48,919			48,919
Buildings	16,403,850	386,459	61,905	16,728,404
Equipment	65,119	20,680	6,393	79,406
Furniture & Fixtures	76,005		48,958	27,047
Land Improvements	14,110,353		314,074	13,796,279
Signage	12,169			12,169
Railroad	5,952,609		5,952,609	0
	<u>36,669,024</u>	<u>407,139</u>	<u>6,383,939</u>	<u>30,692,224</u>
Less Accumulated Depreciation on:				
Automobiles	(48,919)			(48,919)
Buildings	(4,286,216)	(671,126)	53,339	(4,904,003)
Equipment	(35,312)	(5,195)	6,393	(34,114)
Furniture & Fixtures	(72,908)	(599)	48,958	(24,549)
Land Improvements	(3,656,259)	(419,519)	253,120	(3,822,658)
Signage	(11,037)	(508)		(11,545)
Railroad	(2,260,665)	(18,224)	2,278,889	0
	<u>(10,371,316)</u>	<u>(1,115,171)</u>	<u>2,640,699</u>	<u>(8,845,788)</u>
Capital assets, net	<u>\$29,951,796</u>	<u>\$(67,355)</u>	<u>\$5,837,549</u>	<u>\$24,046,892</u>

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 5 - OUTSTANDING OBLIGATIONS

Changes in the Port Authority's principal obligations were as follows:

	Interest Rate	Balance 12/31/13	Additions	Deletions	Balance 12/31/14	Due within One Year
Line of credit - general	5.00%	\$ 263,080	\$ 0	\$ 263,080	\$ 0	\$ 0
Adj. Rate Taxable Securities 2006/LOC Fifth Third	Variable	2,145,000	0	105,000	2,040,000	115,000
Rural Ind. Loan - ODOD	Variable	785,000	0	0	785,000	650,000
Access Fiber Strands	0%	0	65,619	8,202	57,417	8,202
Total		\$3,193,080	\$65,619	\$376,282	\$2,882,417	\$773,202

Line of Credit – 1st National Community Bank

\$1,000,000 Unsecured Line of Credit, interest rate floats with the Prime Rate.

Adjustable Rate Taxable Securities Series 2006/ Letter of Credit- Fifth Third Bank

On December 1, 2006, the Port Authority issued Adjustable Rate Taxable Securities Series 2006 (Bonds) in the amount of \$2,680,000. The purpose was to complete the construction of the NOC Building/BTI Project. Huntington National Bank is the trustee and Fifth Third Bank as the Letter of Credit Bank. The Letter of Credit is secured by "shared" first mortgage lien position with State of Ohio on the NOC Building/BTI Project (see below Rural Industrial Loan). If paid as scheduled a final payment of \$210,000 will be due at maturity or on December 1, 2027.

Fees associated with the Bonds:

- An annual fee of 2.5% of the outstanding balance; fee paid quarterly to Fifth Third Bank;
- Monthly servicing fee to the Trustee, Huntington National Bank; and
- Remarketing fee – paid to Fifth Third Bank

Fees paid by the Port Authority during 2014 totaled \$59,223.

Rural Industrial Loan – Ohio Development Service Agency (ODSA)

In June, 2007, the Port Authority obtained a Rural Industrial Loan (the "Loan") from the Director of Development of the State of Ohio and ODSA in the amount of \$785,000 for the purpose of acquiring approximately 11 acres, infrastructure and constructing a 22,000 square foot speculative building in Leetonia Trade Park (NOC Bldg./BTI Project). Collateral for the Loan is a "shared" first mortgage lien position with Fifth Third Bank on the NOC Bldg./BTI Project. This is a 0% interest rate and no principal is due for the first sixty months. Beginning in year six, interest would accrue at 4%, and the principal and interest payment would begin at \$7,948 for ten years. Also beginning in year six the Port Authority was required to pay a monthly servicing fee of one quarter of one percent of the outstanding loan balance.

In November of 2012, the note was modified to defer the scheduled principal and interest payment from November 1, 2012 to November 1, 2015. Interest began accruing at 4% on November 1, 2012 and would continue through October 1, 2015.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 5 - OUTSTANDING OBLIGATIONS – (Continued)

Area Cooperative Computerized Educational Service System (ACCESS) Fiber Strands

In December 2011, the Port Authority entered in to an agreement with ACCESS to acquire two additional strands of fiber, at the time, there were past due maintenance fees from the previous owner owed to ACCESS. As part of the negotiations, the Port Authority agreed to assume the obligation for these past due maintenance fees in the amount \$157,024. At closing, the Port Authority made a down payment of \$75,000 with the remaining balance of \$82,024 being paid back over the next ten years at 0% interest. The first annual payment annual payment of \$8,202.41 was due July 2012 and the maturity date is July of 2022.

A summary of the principal payments is as follows:

Adj. Rate Securities Series 2006

<u>Year Ending</u>	<u>Amounts</u>
2015	\$115,000
2016	120,000
2017	125,000
2018	130,000
2019	140,000
2020-2024	810,000
2024-2027	<u>600,000</u>
Total	\$2,040,000

Ohio Department of Development/Rural Industrial Loan

<u>Year Ending</u>	<u>Amounts</u>
2015	\$650,000

ACCESS Fiber Strands

<u>Year Ending</u>	<u>Amounts</u>
2015	\$8,202
2016	8,202
2017	8,202
2018-2022	<u>32,811</u>
Total	\$57,417

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Port Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2014 employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10%. The 2014 employer contribution rate for local government employer units was 14% of covered payroll, 8.75% to fund the pension and 5.25% to fund health care. The portion of employers' contributions allocated to pension obligations for members in the traditional and combined plans are 13% for calendar year 2013. The contribution requirements of plan members and the Port Authority are established and may be amended by the Public Employees Retirement Board. The Port Authority's contributions to the Ohio PERS for the years ending December 31, 2014, 2013, 2012 were \$64,857, \$68,561, and \$65,345, respectively, which were equal to the required contributions for each year.

NOTE 7 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to 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.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 7 – POSTEMPLOYMENT BENEFITS – (Continued)

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 health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in 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>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits.

The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2014.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Port's contribution allocated to fund post-employment health care benefits for the year ended December 31, 2014, 2013 and 2012 were \$18,160, \$19,197, and \$18,098, respectively, which were equal to the required contributions for each year.

NOTE 8 – RISK MANAGEMENT

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

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

- Comprehensive Property and general liability;
- Errors and omissions; and
- General liability and casualty

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 8 – RISK MANAGEMENT – (Continued)

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Worker's compensation claims are covered through the Port Authority's participation in the state of Ohio's program. The Port Authority pays the State Worker's Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The Port Authority has contracted with Anthem BlueCross BlueShield to provide employee health insurance, dental and vision coverage to full-time employees. In addition, the Port Authority offers a separate individual plan to the Board members through Anthem BlueCross BlueShield.

NOTE 9 - ADVANCED RENT OBLIGATIONS

Advance rent obligations consist of \$156,749 from Quality Liquid Feed, on a 99 year lease, which commenced July 1, 2000. In addition, advanced rent of \$5,000,000 from Harvest Arrowhead Pipelines, which commenced July 16, 2012, on a 99 year lease of twenty acres of Port land in Wellsville, with exclusive rights to two storage tanks, and nonexclusive use of barge loading cells, over track aerial rights, and a rail line. At the end of the lease term, Harvest Arrowhead Pipelines will surrender its use of the Port land, equipment, and rights.

NOTE 10 – SALE OF RAILROAD

On February 14, 2014, the Railroad was sold at a price of \$3,000,000. The Port Authority's investment in the project totaled \$6,313,959 while assets were depreciated in the amount of \$3,781,949. This led to a loss in the amount of \$781,949.

NOTE 11 – BAARD PROJECT

The Port Authority removed the Baard Project from its books on February 27, 2014 with the sale of \$150,000 for property which was in the Port Authority's name. The transaction removed \$2,040,192 of construction in progress and \$925,560 in accounts payables from the financial statements.

NOTE 12 – GRANTS

The Port Authority received significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Port Authority at December 31, 2014.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014
(Continued)**

NOTE 13 - SUBSEQUENT EVENTS

On February 13, 2015, the Port Authority obtained a loan from Farmers National Bank which was used to refinance and term out the debt associated with The Adjustable Rate Securities 2006/Letter of Credit/Fifth Third Bank and the Rural Industrial Loan.

During 2015, the Port Authority fulfilled the agreement with the ODSA and paid off the loan in the amount of \$650,000.

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**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

**STATEMENT OF NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

Assets:

Equity in pooled cash and cash equivalents	\$840,275
Account Receivable:	
Trade	37,611
Allowance for Doubtful Accounts	(1,250)
Prepayments (Insurance, Subscriptions, Lease Expense)	167,303
Workers' Compensation Deposit	10
Land	1,568,730
Construction in progress	2,085,358
Property, plant and equipment	36,669,024
Accumulated Depreciation	<u>(10,371,316)</u>
 Total Assets	 <u>30,995,744</u>

Liabilities:

Accounts Payable	70,181
Unearned Revenue	5,079,110
Options Payable	985,500
FICA Payable	(317)
PERS Payable	14,477
State W/H Payable	3,505
Local W/H Payable	2,195
Workers Compensation Payable	1,982
Miscellaneous Payable	280
Accrued wages and benefits	69,569
Long-Term Liabilities:	
Due within one year	503,080
Due in more than one year	<u>2,690,000</u>
 Total Liabilities	 <u>9,419,560</u>

Net Position:

Net Investment in Capital Assets	27,021,796
Unrestricted	<u>(5,445,612)</u>

Total Net Position

\$21,576,184

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

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

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

Operating Revenues:	
Rent	\$926,856
Grants	638,794
Utilities	218,871
Miscellaneous	179,670
Returns & Allowances	(25,000)
	<hr/>
Total Operating Cash Revenues	1,939,191
Operating Expenses:	
Advertising	23,496
Auto Expense	12,694
Bank Service Charges	244
Continuing Education	220
Contracted Labor	25,250
Depreciation Expense	1,321,889
Directors' Fees	37,800
Dues and Subscriptions	37,875
Electric	170,972
Employee Benefits	(8,637)
Gas	98,845
Insurance	273,602
Licenses Fees and Permits	126,044
Miscellaneous	274
Office & Postage Expense	9,756
Pension Plan	68,561
Professional Fees	1,009,215
Repairs and Maintenance	81,855
Rent	7,910
Salaries	481,729
Supplies	5,972
Taxes	264,996
Travel and Entertainment	17,170
Telephone	9,023
Trash Removal	4,401
Water	5,771
Utilities	1,235
	<hr/>
Total Operating Expenses	4,088,163
Operating Income/(Loss)	<hr/> (2,148,972)
Non-Operating Revenues/(Disbursements):	
Bad Debt	(200)
Interest Expense	(46,878)
Loss on Sale of Assets	(209,414)
Interest Income	1,038
	<hr/>
Total Non-Operating Revenues/(Disbursements)	(255,454)
Change in Net Position	(2,404,426)
Net Position Beginning of Year	<hr/> 23,980,610
Net Position End of Year	<hr/> <u>\$21,576,184</u>

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

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Amounts
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Rents	\$ 1,027,704
Other Cash Receipts	372,065
Cash Payments to Employees for Services	(480,233)
Cash Payments for Employee Benefits	(257,845)
Cash Payments for Goods and Services	(2,149,185)
	(1,487,495)
<i>Net Cash Provided by (Used in) Operating Activities</i>	(1,487,495)
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	638,794
Bad Debt Expense	(200)
	638,594
<i>Financing Activities</i>	638,594
Cash Flows from Capital and Related Financing Activities	
Principal Borrowed on Notes	626,092
Principal Paid on Notes	(463,012)
Interest Paid on Notes	(10,245)
Payments for Capital Acquisitions	(51,865)
	100,970
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	100,970
Cash Flows from Investing Activities	
Interest on Investments	1,038
	1,038
<i>Net Cash Provided by (Used in) Investing Activities</i>	1,038
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(746,892)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,587,167
<i>Cash and Cash Equivalents End of Year</i>	\$ 840,275
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Gain (Loss)	\$ (2,404,425)
Adjustments:	
Depreciation	1,321,889
Interest	10,245
Bad Debt	200
Loss on sale of asset	209,414
Interest Income	(1,038)
(Increase) Decrease in Assets:	
Accounts Receivable	157,586
Accounts Receivable Grants	(638,794)
Prepaid items	581
Increase (Decrease) in Liabilities:	
Accounts Payable	(172,530)
Accrued Wages	1,496
Compensated Absences Payable	(8,637)
Accd Interest	36,633
Payroll Taxes Payable	(116)
	(116)
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ (1,487,495)

See accompanying notes to the basic financial statements

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**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

NOTE 1 - DESCRIPTION OF REPORTING ENTITY

The Columbiana County Port Authority, (the "Port Authority"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority is governed by a Board of Directors. Members of the Board are appointed by the Columbiana County Commissioners. The Port Authority provides the following services which are defined by Chapter 4582 of the Ohio Revised Code and which services include but are not limited to the power to purchase, construct, re-construct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

Columbiana County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Columbiana County maintains its own accounting functions, is a separate reporting entity, and its financial activity is not included within the financial statements of the Port Authority.

The general office of the Port Authority is located within the City of East Liverpool. These entities maintain their own accounting functions, are separate reporting entities, and their financial activities are not included within the financial statements of the Port Authority.

The Port Authority is a self-sufficient enterprise, which does not receive funding from Columbiana County, the City of East Liverpool, or the East Liverpool City School District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements of Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (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 more significant of the Port Authority's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Position. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
*****FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Cash and Cash Equivalents

All funds of the Port are maintained in demand depository accounts. These depository accounts are presented on the statement of net position as “cash and cash equivalents”.

D. Budgetary Data

Ohio Revised Code Section 4582.13 requires the Port Authority annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

E. Accounts Receivable

Total accounts receivable for 2013 is Trade Accounts Receivable of \$37,611 with allowance for doubtful accounts on these receivables of (\$1,250).

F. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The Port Authority maintains a capitalization threshold of \$500. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All capital assets except Land and Construction in Progress are depreciated using the straight line method over the estimated lives as follows:

<u>Description</u>	<u>Estimated Lives</u>
Equipment	3-10
Furniture and Fixtures	3-10
Automobiles	3-5
Signage	10-15
Buildings	10-30
Land Improvements	10-30
Railroad	10-30

G. Capitalization of Interest

The Port Authority’s policy is to capitalize net interest on construction projects until substantial completion of the project. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2013, the Port Authority incurred no interest which was capitalized.

H. Operating and non-operating revenues and expenses

Operating revenues are those revenues that are generated directly by the Port Authority’s primary mission. For the Port Authority, operating revenues include railroad track use and trackage fees, property lease income, railroad maintenance fees and related market and document fees. Operating expenses are necessary costs incurred to support the Port Authority’s primary mission, including depreciation.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Non-operating revenues and expenses are those that are not generated directly by the Port Authority's primary mission. Interest income and expense, bad debt expense, and gain/loss on sale of assets comprise the non-operating revenues and expenses of the Port Authority.

I. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consist of capital assets, net of accumulated depreciation and net of related debt. 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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority in 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 Port Authority Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, cash on hand of \$500 or in money market deposit accounts. Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current two 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, pass book 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.

Protection of Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) and by eligible securities pledged by the financial institution as security for repayment, but 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.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 3 – DEPOSITS AND INVESTMENTS – (Continued)

Interim monies can be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds 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;
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 through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

The Port Authority may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the Port Authority.

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

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

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 3 – DEPOSITS AND INVESTMENTS – (Continued)

As of December 31, 2013, the carrying amount of the Port Authority's deposits totaled \$839,775 and its bank balance was \$890,319. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2013, \$0 was exposed to custodial risk as discussed below, while \$722,661 was covered by the Federal Depository Insurance Corporation and \$167,658 was collateralized by the financial institution's public entity deposit pool.

Custodial credit risk is the risk that in the event of bank failure, the Port 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, as permitted by the Ohio Revised Code, is held in single financial institution 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 or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

NOTE 4 - CAPITAL ASSETS

A summary of the property, plant and equipment purchased as of December 31, 2013, follows:

	Balance 12-31-2012	Additions	Deletions	Balance 12-31-2013
Capital assets not being depreciated:				
Land	\$1,568,730			\$1,568,730
Construction in progress	2,082,258	\$3,100		2,085,358
	<u>3,650,988</u>	<u>\$3,100</u>		<u>3,654,088</u>
Capital assets being depreciated:				
Automobiles	48,919			48,919
Buildings	16,616,284	37,581	250,015	16,403,850
Equipment	65,119			65,119
Furniture & Fixtures	76,005			76,005
Land Improvements	14,096,068	14,285		14,110,353
Signage	12,169			12,169
Railroad	5,952,609			5,952,609
	<u>36,867,173</u>	<u>51,866</u>	<u>250,015</u>	<u>36,669,024</u>
Less Accumulated Depreciation on:				
Automobiles	(48,919)			(48,919)
Buildings	(3,659,217)	(667,600)	40,601	(4,286,216)
Equipment	(29,623)	(5,689)		(35,312)
Furniture & Fixtures	(72,309)	(599)		(72,908)
Land Improvements	(3,227,568)	(428,691)		(3,656,259)
Signage	(10,423)	(614)		(11,037)
Railroad	(2,041,969)	(218,696)		(2,260,665)
	<u>(9,090,028)</u>	<u>(1,321,889)</u>	<u>40,601</u>	<u>(10,371,316)</u>
Capital assets, net	<u>\$31,428,133</u>	<u>(\$1,266,923)</u>	<u>\$209,414</u>	<u>\$29,951,796</u>

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 5 - OUTSTANDING OBLIGATIONS

Changes in the Port Authority's principal obligations were as follows:

	Interest Rate	Balance 12/31/12	Additions	Deletions	Balance 12/31/13	Due Within One Year
Line of credit - general	5.00%	\$ 0	\$ 616,011	\$ 352,931	\$ 263,080	\$263,080
Rural Ind. Loan - ODOD	Variable	785,000	0	0	785,000	135,000
Adj. Rate Tax. Securities	Prime	2,245,000	0	100,000	2,145,000	105,000
Total		\$3,030,000	\$ 616,011	\$ 452,931	\$3,193,080	\$503,080

Line of Credit – 1st National Community Bank

\$1,000,000 Unsecured Line of Credit, interest rate floats with the Prime Rate.

Adjustable Rate Taxable Securities Series 2006/ Letter of Credit- Fifth Third Bank

On December 1, 2006, the Port Authority issued Adjustable Rate Taxable Securities Series 2006 (Bonds) in the amount of \$2,680,000. The purpose was to complete the construction of the NOC Building/BTI Project. Huntington National Bank is the trustee and Fifth Third Bank as the Letter of Credit Bank. The Letter of Credit is secured by "shared" first mortgage lien position with State of Ohio on the NOC Building/BTI Project (see below Rural Industrial Loan). If paid as scheduled a final payment of \$210,000 will be due at maturity or on December 1, 2027.

Fees associated with the Bonds:

- An annual fee of 2.5% of the outstanding balance; fee paid quarterly to Fifth Third Bank;
- Monthly servicing fee to the Trustee, Huntington National Bank; and
- Remarketing fee – paid to Fifth Third Bank

Rural Industrial Loan – Ohio Development Service Agency (ODSA)

In June, 2007, the Port Authority obtained a Rural Industrial Loan (the "Loan") from the Director of Development of the State of Ohio and ODSA in the amount of \$785,000 for the purpose of acquiring approximately 11 acres, infrastructure and constructing a 22,000 square foot speculative building in Leetonia Trade Park (NOC Bldg./BTI Project). Collateral for the Loan is a "shared" first mortgage lien position with Fifth Third Bank on the NOC Bldg./BTI Project. This is a 0% interest rate and no principal is due for the first sixty months. Beginning in year six, interest would accrue at 4%, and the principal and interest payment would begin at \$7,948 for ten years. Also beginning in year six the Port Authority was required to pay a monthly servicing fee of one quarter of one percent of the outstanding loan balance.

In November of 2012, the note was modified to defer the scheduled principal and interest payment from November 1, 2012 to November 1, 2015. Interest began accruing at 4% on November 1, 2012 and would continue through October 1, 2015.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 5 - OUTSTANDING OBLIGATIONS - (Continued)

A summary of the principal payments is as follows:

Adj. Rate Securities Series 2006

<u>Year Ending</u>	<u>Principal</u>
2014	\$105,000
2015	115,000
2016	120,000
2017	125,000
2018	130,000
2019-2023	770,000
2024-2027	<u>780,000</u>
Total	\$2,145,000

Ohio Department of Development

<u>Year Ending</u>	<u>Principal</u>
2014	\$135,000
2015	<u>650,000</u>
Total	\$785,000

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Port Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 6 – DEFINED BENEFIT PENSION PLAN - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2013, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10%. The 2013 employer contribution rate for local government employer units was 14% of covered payroll, 8.75% to fund the pension and 5.25% to fund health care. The portion of employers' contributions allocated to pension obligations for members in the traditional and combined plans are 13% for calendar year 2013. The contribution requirements of plan members and the Port Authority are established and may be amended by the Public Employees Retirement Board. The Port Authority's contributions to the Ohio PERS for the years ending December 31, 2013, 2012, 2011 were \$68,561, \$65,345, and \$60,975, respectively, which were equal to the required contributions for each year.

NOTE 7 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to 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.

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 health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in 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>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

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% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 7 – POSTEMPLOYMENT BENEFITS – (Continued)

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits.

The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2013.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Port Authority's contribution allocated to fund post-employment health care benefits for the year ended December 31, 2013, 2012 and 2011 were \$19,197, \$18,098, and \$17,421, respectively, which were equal to the required contributions for each year.

NOTE 8 – RISK MANAGEMENT

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

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

- Comprehensive Property and general liability;
- Errors and omissions; and
- General liability and casualty

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Worker's compensation claims are covered through the Port Authority's participation in the state of Ohio's program. The Port Authority pays the State Worker's Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The Port Authority has contracted with Anthem BlueCross BlueShield to provide employee health insurance, dental and vision coverage to full-time employees. In addition, the Port Authority offers a separate individual plan to the Board members through Anthem BlueCross BlueShield.

NOTE 9 - ADVANCED RENT OBLIGATIONS

Advance rent obligations consist of \$156,749 from Quality Liquid Feed, on a 99 year lease, which commenced July 1, 2000. In addition, advanced rent of \$5,000,000 from Harvest Arrowhead Pipelines, which commenced July 16, 2012, on a 99 year lease of twenty acres of Port land in Wellsville, with exclusive rights to two storage tanks, and nonexclusive use of barge loading cells, over track aerial rights, and a rail line. At the end of the lease term, Harvest Arrowhead Pipelines will surrender its use of the Port land, equipment, and rights.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

NOTE 10 – GRANTS

The Port Authority received significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Port Authority at December 31, 2014.

NOTE 11 – SUBSEQUENT EVENTS

On February 14, 2014, the Railroad was sold at a price of \$3,000,000. The Port Authority's investment in the project totaled \$6,313,959 while assets were depreciated in the amount of \$3,781,949. This led to a loss in the amount of \$781,949.

The Port Authority removed the Baard Project from its books on February 27, 2014 with the sale of \$150,000 for property which was in the Port Authority's name. The transaction removed \$2,040,192 of construction in progress and \$925,560 in accounts payables from the financial statements.

On February 13, 2015, the Port Authority obtained a loan from Farmers National Bank which was used to refinance and term out the debt associated with The Adjustable Rate Securities 2006/Letter of Credit/Fifth Third Bank and the Rural Industrial Loan

During 2014, an agreement was reached between Port Authority and the ODSA to discount the loan payoff if the loan was paid in full by March 31, 2015. The Port Authority agreed and paid off the loan with a payment in the amount of \$650,000.



Dave Yost • Auditor of State

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

Columbiana County Port Authority
Columbiana County
1250 St. George Street
East Liverpool, Ohio 43920

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 of Columbiana County Port Authority, Columbiana County, (the "Port Authority") as of and for the years ended December 31, 2014 and 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 August 12, 2015, wherein we noted the Port Authority omitted MD&A.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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*.

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

August 12, 2015

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness

Sound financial reporting is the responsibility of Port Authority Management and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Port Authority's financial statement preparation firm failed to adhere to required reporting requirements. As a result, the Port Authority's financial statements and notes were not complete and were not presented in accordance with accounting standards applicable for governmental entities.

- The *Statement of Net Position* did not appropriately classify the components of net position and did not separate long-term liabilities as due within one year and due in more than one year. Furthermore, the Statement of Net Position did not properly balance;
- The *Statement of Revenues, Expenses, and Changes in Net Position* did not distinguish expenses between operating and nonoperating. In addition, beginning and ending equity was presented as "retained earnings" rather than "net position";
- The *Statement of Cash Flows* was not presented using the direct method as required by GASB Cod. § 2450.128;.
- The notes to the financial statements were not complete and accurate.

The Port Authority has corrected the accompanying financial statements and notes for these errors.

Failure to present complete and accurate financial statements and notes to those financial statements could result in the filing not being accepted before the required deadline by the Auditor of State's office and subsequent fine. In addition, inaccurate financial statements could impact the Port's current debt issues and bond ratings.

We recommend the Port Authority implement controls and procedures related to financial reporting that will enable management to identify, prevent, detect and correct potential misstatements in the financial statements.

Officials' Response:

We are disappointed to have received a citing of "Material Weakness" on our financial statements. It was our understanding that our outside accountant had worked with the state and had implemented all necessary changes to ensure the financial statements were prepared in accordance with the "Accounting Standards for Governmental Entities".

The Port is making a commitment that the 2016 financial statements will be in compliance. The Fiscal Officer and the Finance Manager are currently reviewing the method of how our financial statements are prepared to determine which best suites the Port Authority's needs; cash basis vs accrual basis. Once determined, we will wither purchase software, hire an outside accounting firm experienced in governmental entities or both to ensure our financial statements are in compliance going forward.

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**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Improper Retirement of Former Fiscal Officer/Board Member.	Yes	
2012-002	The Port Authority Does Not Issue Purchase Orders.	No	Partially corrected and re-issued in the management letter.
2012-003	The Port Authority's Financial Statements and Notes Were Not Presented in Accordance with Standards.	No	Not corrected and re-issued as Finding 2014-001.

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COLUMBIANA COUNTY PORT AUTHORITY

COLUMBIANA 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
OCTOBER 8, 2015**