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Certified Public Accountants, A.C.

**SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY
SENECA COUNTY
Regular Audit
For the Years Ended December 31, 2015 and 2014**

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...“bringing more to the table”

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Board of Directors
Sandusky County-Seneca County-City of Tiffin Port Authority
PO Box 737
Tiffin, Ohio 44883

We have reviewed the *Independent Auditor's Report* of the Sandusky County-Seneca County-City of Tiffin Port Authority, Seneca County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Sandusky County-Seneca County-City of Tiffin Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 10, 2016

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

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INDEPENDENT AUDITOR'S REPORT

June 24, 2016

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Sandusky County-Seneca County-City of Tiffin Port Authority**, Seneca County, (the Authority) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the 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 Government'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 Government's internal control. Accordingly, we express no such 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sandusky County-Seneca County-City of Tiffin Port Authority, Seneca County, Ohio, as of December 31, 2015 and 2014 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016, on our consideration of the 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 Authority's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

SANDUSKY COUNTY-SENECA COUNTY, CITY OF TIFFIN PORT AUTHORITY

*Management's Discussion and Analysis
For the Year Ended December 31, 2015*

Unaudited

The discussion and analysis of Seneca County, Sandusky County, City of Tiffin Port Authority's (the Authority) financial performance provides an overall view of the financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

Total net position increased \$75,787. Operating revenues were \$237,741 and operating expenses were \$193,188.

Using this Annual Financial Report

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

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

Reporting the Authority as a Whole:

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

These statements view the Authority as a whole and look at all financial transactions and ask the question, "How did we do financially during 2015?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Revenues, Expenses and Change in Net Position*, the Authority has only Business-type activities.

Business-Type Activities - These services are provided on a charge for services basis to recover all of the expenses of the goods or services provided. The Authority's operations are reported as business activities.

SANDUSKY COUNTY-SENECA COUNTY, CITY OF TIFFIN PORT AUTHORITY

*Management's Discussion and Analysis
For the Year Ended December 31, 2015*

Unaudited

The Authority as a Whole

Recall that the Statement of Net Position provides the perspective of the Authority as a whole. Table 1 provides a summary of the Authority's Net Position for 2015 compared to 2014:

Table 1
Net Position

	<u>2015</u>	<u>2014</u>
Asset		
Current Assets	\$ 2,348,555	\$ 2,224,939
Restricted Assets	996,397	971,978
Capital Assets	<u>1,671,475</u>	<u>1,773,400</u>
Total Assets	<u><u>5,016,427</u></u>	<u><u>4,970,317</u></u>
Liabilities		
Current and Other Liabilities	90,301	89,692
Long-term Liabilities	<u>626,000</u>	<u>678,000</u>
Total Liabilities	<u><u>716,301</u></u>	<u><u>767,692</u></u>
Net Position		
Net Investment in Capital Assets	968,475	1,016,999
Restricted	996,397	971,978
Unrestricted	<u>2,335,254</u>	<u>2,213,648</u>
Total Net Position	<u><u>\$ 4,300,126</u></u>	<u><u>\$ 4,202,625</u></u>

Total assets increased \$46,110. Cash and investments increased by \$165,306. Table 2 shows the changes in net position for the year 2015 and 2014:

Table 2
Change in Net Position

	<u>2015</u>	<u>2014</u>
Operating Revenues	\$ 237,741	\$ 278,831
Operating Expenses	<u>(193,188)</u>	<u>(229,101)</u>
Operating Income (Loss)	<u><u>44,553</u></u>	<u><u>49,730</u></u>
Non-Operating Revenues (Expenses):		
Interest and Dividends	43,480	76,251
Net Decrease in Fair Value of Investments	<u>(12,246)</u>	<u>(18,286)</u>
Total Non-Operating Revenues (Expenses)	<u><u>31,234</u></u>	<u><u>57,965</u></u>
Change in Net Position	<u><u>\$ 75,787</u></u>	<u><u>\$ 107,695</u></u>

SANDUSKY COUNTY-SENECA COUNTY, CITY OF TIFFIN PORT AUTHORITY

*Management's Discussion and Analysis
For the Year Ended December 31, 2015*

Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2015 the Authority had \$1,671,475 (net of accumulated depreciation of \$2,682,457) invested in land, infrastructure, and equipment. Table 3 shows 2015 balances compared to 2014:

Table 3
Capital Assets (Net of Depreciation)

<u>Business-Type Activities</u>	<u>2015</u>	<u>2014</u>
Land	\$ 368,558	\$ 368,556
Railroad Track	3,572,189	3,565,804
Highway Crossing Signals	389,170	389,170
Equipment	24,015	24,015
Accumulated Deprecation	<u>(2,682,457)</u>	<u>(2,574,145)</u>
Totals	<u>\$1,671,475</u>	<u>\$1,773,400</u>

Debt

At December 31, 2015 the Authority had \$703,000 in bonds outstanding, \$77,000 due within one year.

Table 4
Outstanding Debt, at Year End

	<u>2015</u>	<u>2014</u>
Shipper Bonds Payable	\$ 703,000	\$ 755,000
Totals	<u>\$ 703,000</u>	<u>\$ 755,000</u>

For the Future

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

Contacting the Authority's Financial Management

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

**Sandusky County-Seneca County-
City of Tiffin Port Authority**

**Statement of Net Position
December 31, 2015**

Assets

Current Assets:

Cash	\$	3,693
Investments		2,289,939
Accounts Receivable - Net of \$5,000		46,541
Accrued Interest		185
Prepaid Items		8,197
Total Current Assets		2,348,555

Investments - Restricted		996,397
Non-Depreciable Capital Assets		368,558
Capital Assets, net of Depreciation		1,302,917
Net Capital Assets		1,671,475
Total Assets	\$	5,016,427

Liabilities

Current Liabilities:

Loan from Shippers Payable - Current Portion	\$	77,000
Accrued Property Tax		13,301
Total Current Liabilities		90,301

Long-Term Liabilities:

Loans from Shippers Payable		626,000
Total Long-Term Liabilities		626,000
Total Liabilities		716,301

Net Position

Net Investment in Capital Assets		968,475
Restricted for Debt Service		383,966
Restricted for Maintenance		612,431
Unrestricted		2,335,254
Total Net Position		4,300,126
Total Liabilities and Net Position	\$	5,016,427

See Accompanying Notes to the Financial Statements.

**Sandusky County-Seneca County-
City of Tiffin Port Authority**

**Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2015**

Operating Revenues:	
Charges for Services	\$ 237,741
Total Operating Revenues	<u>237,741</u>
Operating Expenses:	
Outside Service Expense	18,858
Insurance Expense	21,804
Professional Expense	8,817
Property Tax Expense	13,341
Depreciation Expense	130,023
Miscellaneous Expense	345
Total Operating Expenses	<u>193,188</u>
Operating Income (Loss)	<u>44,553</u>
Non-Operating Revenues (Expenses):	
Interest and Dividends	44,861
Realized Gain (Loss)	(1,381)
Change in Fair Value of Investments	(12,246)
Total Non-Operating Revenues (Expenses)	<u>31,234</u>
Change in Net Position	<u>75,787</u>
Net Position Beginning of Year (Restated - See Note 13)	<u>4,224,339</u>
Net Position End of Year	<u>\$ 4,300,126</u>

See Accompanying Notes to the Financial Statements.

**Sandusky County-Seneca County-
City of Tiffin Port Authority**

**Statement of Cash Flows
For the Year Ended December 31, 2015**

Cash Flows from Operating Activities:	
Cash Received from Shippers and Operator	\$ 253,318
Cash Paid for Services and Supplies	<u>(60,849)</u>
Net Cash Provided by Operating Activities	<u>192,469</u>
Cash Flows from Investing Activities:	
Purchase/(Sale)-Net	(134,689)
Interest Income from Repurchased Agreement	<u>347</u>
Net Cash Provided by Investing Activities	<u>(134,342)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Repayment on Shipper Bonds	(52,000)
Purchase of Capital Assets	<u>(6,385)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(58,385)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(258)
Cash and Cash Equivalents, Beginning of Year	<u>3,951</u>
Cash and Cash Equivalents, End of Year	<u><u>3,693</u></u>
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:	
Change in Operating Income	<u>44,553</u>
Adjustments to Reconcile Change in Net Position to Net Cash from Operating Activities:	
Depreciation Expense	130,023
(Increase) Decrease in Accounts Receivable (Net)	15,578
(Increase) Decrease in Prepaid Items	1,706
Increase (Decrease) in Accrued Property Taxes	<u>609</u>
Total Adjustments	<u>147,916</u>
Net Cash Provided by Operating Activities	<u><u>\$ 192,469</u></u>

See Accompanying Notes to the Financial Statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

B. Basic Financial Statements

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position display information about the Authority as a whole. These statements include the financial activities of the primary government. The statements include the financial activities of the primary government.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting

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

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

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

D. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases and decreases in Net Position. The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

E. Cash Equivalents and Investments

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

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

G. Net Position

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

H. Operating Revenues and Expenses

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Estimates

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

J. Budgetary Process

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

K. Subsequent Events

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority did not report any deferred outflows for 2015.

In addition to liabilities, the Statement of Net Position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority did not report any deferred inflows of resources for 2015.

M. Statement of Cash Flows

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

3. DEPOSITS AND INVESTMENTS

Deposits

State statutes classify deposits held by the Authority into three categories.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of 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 must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities described in division (1) or (2) or cash, or both cash and securities, equal value for equal value;
8. High grade commercial paper in an amount not to exceed up to five percent of the Authority's total portfolio;

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

- 9. Bankers' acceptances and commercial paper notes in an amount not to exceed two hundred and seventy days and in an amount not to exceed ten percent of the Authority's total average portfolio; and
- 10. Under limited circumstances, corporate debt interest rated in any of the three highest rating classifications by at least two nationally recognized rating agencies.

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

The carrying amount of the cash deposits held by the Authority at December 31, 2015 was \$3,693 and the bank balance was \$3,693. Federal depository insurance covered deposits.

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

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

	<u>Balance</u>	<u>Restricted</u>	<u>Unrestricted</u>
Old Fort Banking Company - Checking	\$3,693	\$ -	\$3,693

Investments

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and investment 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

	Moody's Rating	Fair Value	Percentage	Investment Maturities (In Years)			
		Category 1	Held	Less than 1	1-3	3-5	More than 5
Croghan Colonial Bank-CD	N/A	\$ 96,550	3.1%	\$ -	\$ 96,550	\$ -	\$ -
Sutton State Bank-CD	N/A	38,394	1.2%	38,394	-	-	-
Fifth Third-CD	N/A	104,449	3.4%	-	104,449	-	-
Old Fort Banking Co.-CD	N/A	94,791	3.1%	94,791	-	-	-
Old Fort Banking Co.-CD	N/A	83,169	2.7%	83,169	-	-	-
1st Bank of Ohio-CD	N/A	108,129	3.5%	108,129	-	-	-
Total Category 1		<u>525,482</u>	<u>16.9%</u>	<u>324,483</u>	<u>200,999</u>	<u>-</u>	<u>-</u>
		Category 3					
Old Fort Banking Repurchased Agreement	N/A	279,392	9.0%	144,703	-	-	-

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Moody's Rating	Fair Value Category 1	Percentage Held	Investment Maturities (In Years)			
				less than 1	1-3	3-5	more than 5
Fifth Third Securities:							
Ally Bank CD	N/A	32,923	1.0%	-	32,923	-	-
Citicorp Mrtg Sec Series 2007	Caa1	11,077	0.3%	-	-	-	11,077
Capital One Bk USA Natl Assn	N/A	33,012	1.0%	33,012	-	-	-
Discover Bk Greenwood Del	N/A	54,080	1.6%	-	54,080	-	-
Everbank CD	N/A	22,985	0.7%	22,985	-	-	-
Federal National Mortgage Assn	B	568	0.0%	-	-	-	568
Federated Prime Val Obligation Fund	N/A	8,805	0.3%	8,805	-	-	-
FT Unit FT GNMA Reinvestment	N/A	386,355	11.8%	-	-	-	386,355
Goldman Sachs Bank CD	N/A	24,998	0.8%	-	24,998	-	-
Govt National Mortgage Assn	N/A	22,406	0.7%	-	-	-	22,406
Iberiabank Lafayette	N/A	96,060	2.9%	96,060	-	-	-
HSBC Bank CD	N/A	26,764	0.8%	-	-	26,764	-
Synchrony Bk Retail CD	N/A	55,183	1.7%	-	-	55,183	-
Subtotal		775,216	23.6%	160,862	112,001	81,947	420,406
Huntington Private Financial:							
Huntington Treasury Money Market	N/A	1,909	0.1%	1,909	-	-	-
Ally Bank CD	N/A	49,992	1.5%	49,992	-	-	-
Bank Baroda CD	N/A	99,861	3.0%	99,861	-	-	-
America Express Centurion Series CD	N/A	171,097	5.2%	53,014	118,083	-	-
Discover Bank CD	N/A	50,074	1.5%	50,074	-	-	-
Discover Bank CD	N/A	35,353	1.1%	35,353	-	-	-
Federal Farmers Credit Bank	Aaa	129,342	3.9%	-	129,342	-	-
Goldman Sachs Bank USA CD	N/A	69,921	2.1%	19,214	50,707	-	-
HSBC Bank CD	N/A	94,237	2.9%	-	94,237	-	-
Synchrony Bk Retail CD	N/A	71,758	2.2%	-	71,758	-	-
Welch State Bank CD	N/A	103,692	3.2%	-	103,692	-	-
Subtotal	N/A	877,236	26.7%	309,417	567,819	-	-
KeyBanc Capital Markets:							
Ally Bank CD	N/A	133,877	4.1%	70,027	63,850	-	-
American Express Fed Svgs Bank CTF	N/A	58,777	1.8%	-	58,777	-	-
Capital One Bk USA Natl Assn Glen Allen	N/A	181,998	5.5%	-	57,881	124,117	-
Discover Bk Greenwood Del CD	N/A	86,215	2.6%	-	86,215	-	-
Federal Natl Mtg Assn Fixed Rate	AAA	65,855	2.0%	-	65,855	-	-
Federated Money Market	N/A	3,098	0.1%	3,098	-	-	-
First Bank Puerto Rico, CD	Ba3	94,053	2.9%	94,053	-	-	-
Goldman Sachs Bank CD	N/A	72,534	2.2%	-	-	72,534	-
Goldman Sachs Bank CD	N/A	59,164	1.8%	-	-	59,164	-
Synchrony Bank Retail CTF	N/A	73,439	2.2%	-	-	73,439	-
Subtotal		829,010	25.2%	167,178	332,578	329,254	-
Total Investments		\$ 3,286,336	100.0%	\$ 1,241,332	\$ 1,213,397	\$ 411,201	\$ 420,406

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

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

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

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

4. CAPITAL ASSETS

A summary of railroad property and equipment at December 31, 2015 is as follows:

	Restated Beginning Balance <u>12/31/2014</u>	<u>Additions</u>	<u>Disposals</u>	Ending Balance <u>12/31/2015</u>
Land	\$ 368,558	\$ -	\$ -	\$ 368,558
Railroad Track	3,565,804	6,385	-	3,572,189
Highway Crossing Si	389,170	-	-	389,170
Equipment	24,015	-	-	24,015
Totals	\$ 4,347,547	\$ 6,385	\$ -	\$ 4,353,932
	Restated Accumulated Depreciation <u>12/31/2014</u>	<u>Depreciation</u>	<u>Disposals</u>	Accumulated Depreciation <u>12/31/2015</u>
Railroad Track	\$ 2,414,269	\$ 116,590	\$ -	\$ 2,530,859
Highway Crossing Si	116,460	12,972	-	129,432
Equipment	21,705	461	-	22,166
Totals	2,552,434	130,023	-	2,682,457
Net Book Value	\$ 1,795,113	\$ (123,638)	\$ -	\$ 1,671,475

Depreciation was taken on the railroad track over a thirty-year life and on equipment over a fifteen-year life. A detailed inventory by class did not exist at May 1990 when the original track and property was transferred to the Authority. However, most of the inventory was railroad track and signals. Since a detailed inventory is not available, items that are replaced are considered to be fully depreciated and the replaced items are not deducted from the capital asset balance because they are not known.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

5. LONG TERM DEBT

Non-interest revenue bonds were issued in 1990 pursuant to authorization of the Ohio Revised Code in the amount of \$1,117,000 to various shippers who use the railroad. The bonds proceeds were used to purchase 25.1 miles of railroad from Conrail on May 16, 1990. At yearend outstanding debt totals \$755,000.

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

	Beginning Balance <u>12/31/2014</u>	Issued	Redeemed	Ending Balance <u>12/31/2015</u>	Due Within One Year
Revenue Bonds	\$ 755,000	\$ -	\$ 52,000	\$ 703,000	\$77,000
Total Long Term Debt	<u>\$ 755,000</u>	<u>\$ -</u>	<u>\$ 52,000</u>	<u>\$ 703,000</u>	<u>\$77,000</u>

The annual requirements to amortize all bonded and loan debt outstanding as of December 31, 2015:

Year Ending 12/31/2014	Shipper Bonds
2016	77,000
2017	52,000
2018	52,000
2019	52,000
2020	52,000
2021-2025	260,000
2026-2028	<u>158,000</u>
Total Principal	<u>\$ 703,000</u>

6. RESTRICTED FOR DEBT SERVICE

A reserve has been established for future payment of revenue bonds. The reserve balance for 2015 is \$383,966 and is the current balance of the reserve at year-end. This year's annual reserve requirement was \$29,410 and was calculated using the estimated interest income rate of 2.75 percent (\$9,607) plus an amount of \$19,803 that was calculated to payoff the bonds.

7. RESTRICTED FOR REPLACEMENT

Both the shippers and the operator are charged a fee to offset repairs and replacement costs based on the number of cars shipped. The charge for the shippers is generally \$15 per car, but the "per car" amount may vary. The operator was charged \$7 per car. Replacement expenses are closed to this reserve at the end of the year. The balance at yearend in the Restricted for Replacement account is \$612,431.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

8. OPERATOR

Northern Ohio and Western Railway is the current operator for the Authority. For the year ended December 31, 2015, Northern Ohio and Western Railway accounted for approximately \$93,648 (35%), of the Authority's operating income. In June 2010, an extension of the operating agreement for the first five year extension was entered for the period January 2011 until December 2015. The agreement can be extended for three additional five-year terms if both parties agree six months prior to the expiration of the then current term.

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

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

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

9. RISK MANAGEMENT

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

The Authority does not have a "self-insurance" fund with formalized risk management programs. During 2015, the Authority purchased property, public official's liability, railroad liability, and bond policies from United Insurance Service.

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

10. CONDUIT DEBT

In 2009 the Authority began issuing revenue bonds to provide financial assistance to private-sector, governmental and non-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments on the underlying mortgage loans. Upon repayment of the obligations, ownership of the acquired facilities transfers to the entity served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The Authority has also hired Argus Growth Consultants, Ltd. to provide consulting services in the issuance of revenue bonds as it presently does not have the staff to provide these services.

As of December 31, 2015 there are no series of Revenue Bonds outstanding.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

11. OUTSIDE CONTRACT

Presently the Authority does not have any employees or offices. Books of account and operations are handled by the Seneca Industrial and Economic Development Corporation who receives a monthly fee of \$1,834 based on an amended contract dated February 2014.

12. RELATED PARTY TRANSACTIONS

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

13. PRIOR PERIOD ADJUSTMENT

An accounting error occurred in accumulated depreciation in the amount of \$21,714 due to a formula error on the Authority's depreciation schedule. This changed the beginning net position at December 31, 2014 in a favorable manner. The following prior period adjustment was made:

December 31, 2014 Net Position as reported	\$4,202,625
Error in Accumulated Depreciation	<u>21,714</u>
Restated December 31, 2014 Net Position	<u>\$4,224,339</u>

SANDUSKY COUNTY-SENECA COUNTY, CITY OF TIFFIN PORT AUTHORITY

*Management's Discussion and Analysis
For the Year Ended December 31, 2014*

Unaudited

The discussion and analysis of Seneca County, Sandusky County, City of Tiffin Port Authority's (the Authority) financial performance provides an overall view of the financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

Total net position increased \$107,695. Operating revenues were \$278,831 and operating expenses were \$229,101.

Using this Annual Financial Report

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

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

Reporting the Authority as a Whole:

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

These statements view the Authority as a whole and look at all financial transactions and ask the question, "How did we do financially during 2014?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Revenues, Expenses and Change in Net Position*, the Authority has only Business-type activities.

Business-Type Activities - These services are provided on a charge for services basis to recover all of the expenses of the goods or services provided. The Authority's operations are reported as business activities.

SANDUSKY COUNTY-SENECA COUNTY, CITY OF TIFFIN PORT AUTHORITY

*Management's Discussion and Analysis
For the Year Ended December 31, 2014*

Unaudited

The Authority as a Whole

Recall that the Statement of Net Position provides the perspective of the Authority as a whole. Table 1 provides a summary of the Authority's Net Position for 2014 compared to 2013:

Table 1
Net Position

	<u>2014</u>	<u>2013</u>
Asset		
Current Assets	\$ 2,224,939	\$ 2,199,962
Restricted Assets	971,978	933,347
Capital Assets	<u>1,773,400</u>	<u>1,780,503</u>
Total Assets	<u><u>4,970,317</u></u>	<u><u>4,913,812</u></u>
Liabilities		
Current and Other Liabilities	89,692	88,882
Long-term Liabilities	<u>678,000</u>	<u>730,000</u>
Total Liabilities	<u><u>767,692</u></u>	<u><u>818,882</u></u>
Net Position		
Net Investment in Capital Assets	1,016,999	973,502
Restricted	971,978	933,347
Unrestricted	<u>2,213,648</u>	<u>2,188,081</u>
Total Net Position	<u><u>\$ 4,202,625</u></u>	<u><u>\$ 4,094,930</u></u>

Total assets increased \$56,505. Cash and investments increased by \$57,975. Table 2 shows the changes in net position for the year 2014 and 2013:

Table 2
Change in Net Position

	<u>2014</u>	<u>2013</u>
Operating Revenues	\$ 278,831	\$ 249,417
Operating Expenses	<u>(229,101)</u>	<u>(196,611)</u>
Operating Income (Loss)	<u><u>49,730</u></u>	<u><u>52,806</u></u>
Non-Operating Revenues (Expenses):		
Interest and Dividends	76,251	53,442
Net Decrease in Fair Value of Investments	<u>(18,286)</u>	<u>(46,062)</u>
Total Non-Operating Revenues (Expenses)	<u><u>57,965</u></u>	<u><u>7,380</u></u>
Change in Net Position	<u><u>\$ 107,695</u></u>	<u><u>\$ 60,186</u></u>

SANDUSKY COUNTY-SENECA COUNTY, CITY OF TIFFIN PORT AUTHORITY

*Management's Discussion and Analysis
For the Year Ended December 31, 2014*

Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2014 the Authority had \$1,773,400 (net of accumulated depreciation of \$2,574,147) invested in land, infrastructure, and equipment. Table 3 shows 2014 balances compared to 2013:

Table 3
Capital Assets (Net of Depreciation)

<u>Business-Type Activities</u>	<u>2014</u>	<u>2013</u>
Land	\$ 368,556	\$ 310,004
Railroad Track	3,565,804	3,499,909
Highway Crossing Signals	389,170	389,170
Equipment	24,015	24,015
Accumulated Deprecation	<u>(2,574,145)</u>	<u>(2,442,595)</u>
Totals	<u>\$1,773,400</u>	<u>\$1,780,503</u>

Debt

At December 31, 2014 the Authority had \$755,000 in bonds outstanding, \$77,000 due within one year.

Table 4
Outstanding Debt, at Year End

	<u>2014</u>	<u>2013</u>
Shipper Bonds Payable	\$ 755,000	\$ 807,000
Totals	<u>\$ 755,000</u>	<u>\$ 807,000</u>

For the Future

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

Contacting the Authority's Financial Management

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

**Sandusky County-Seneca County-
City of Tiffin Port Authority**

**Statement of Net Position
December 31, 2014**

Assets

Current Assets:

Cash	\$ 3,951
Investments	2,148,794
Accounts Receivable - Net of \$5,000	62,118
Accrued Interest	173
Prepaid Items	9,903
Total Current Assets	<u>2,224,939</u>

Investments - Restricted 971,978

Non-Depreciable Capital Assets 368,556

Capital Assets, net of Depreciation 1,404,844

Net Capital Assets 1,773,400

Total Assets \$ 4,970,317

Liabilities

Current Liabilities:

Loan from Shippers Payable - Current Portion	\$ 77,000
Accrued Property Tax	12,692
Total Current Liabilities	<u>89,692</u>

Long-Term Liabilities:

Loans from Shippers Payable	<u>678,000</u>
Total Long-Term Liabilities	678,000
Total Liabilities	<u>767,692</u>

Net Position

Net Investment in Capital Assets	1,016,999
Restricted for Debt Service	406,556
Restricted for Maintenance	565,422
Unrestricted	<u>2,213,648</u>
Total Net Position	<u>4,202,625</u>
Total Liabilities and Net Position	<u>\$ 4,970,317</u>

See Accompanying Notes to the Financial Statements.

**Sandusky County-Seneca County-
City of Tiffin Port Authority**

**Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2014**

Operating Revenues:	
Charges for Services	\$ 278,831
Total Operating Revenues	278,831
Operating Expenses:	
Outside Service Expense	22,009
Insurance Expense	21,493
Professional Expense	13,133
Property Tax Expense	12,692
Repair Expense	18,085
Depreciation Expense	131,550
Miscellaneous Expense	10,139
Total Operating Expenses	229,101
Operating Income (Loss)	49,730
Non-Operating Revenues (Expenses):	
Interest and Dividends	76,251
Change in Fair Value of Investments	(18,286)
Total Non-Operating Revenues (Expenses)	57,965
Change in Net Position	107,695
Net Position Beginning of Year	4,094,930
Net Position End of Year	\$ 4,202,625

See Accompanying Notes to the Financial Statements.

**Sandusky County-Seneca County-
City of Tiffin Port Authority**

**Statement of Cash Flows
For the Year Ended December 31, 2014**

Cash Flows from Operating Activities:	
Cash Received from Shippers and Operator	\$ 275,130
Cash Paid for Services and Supplies	<u>(98,673)</u>
Net Cash Provided by Operating Activities	<u>176,457</u>
Cash Flows from Investing Activities:	
Purchase/(Sale)-Net	(310)
Interest Income from Repurchased Agreement	<u>266</u>
Net Cash Provided by Investing Activities	<u>(44)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Repayment on Shipper Bonds	(52,000)
Purchase of Capital Assets	<u>(124,447)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(176,447)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(34)
Cash and Cash Equivalents, Beginning of Year	<u>3,985</u>
Cash and Cash Equivalents, End of Year	<u><u>3,951</u></u>
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:	
Change in Operating Income	<u>49,730</u>
Adjustments to Reconcile Change in Net Position to Net Cash from Operating Activities:	
Depreciation Expense	131,550
(Increase) Decrease in Accounts Receivable (Net)	(3,701)
(Increase) Decrease in Accrued Interest Receivable	(1)
(Increase) Decrease in Prepaid Items	(1,931)
Increase (Decrease) in Accounts Payable	-
Increase (Decrease) in Accrued Property Taxes	<u>810</u>
Total Adjustments	<u>126,727</u>
Net Cash Provided by Operating Activities	<u><u>\$ 176,457</u></u>

See Accompanying Notes to the Financial Statements.

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

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

1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

B. Basic Financial Statements

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position display information about the Authority as a whole. These statements include the financial activities of the primary government. The statements include the financial activities of the primary government.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting

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

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

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

D. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases and decreases in Net Position. The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

E. Cash Equivalents and Investments

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

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

G. Net Position

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

H. Operating Revenues and Expenses

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Estimates

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

J. Budgetary Process

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

K. Subsequent Events

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority did not report any deferred outflows for 2014.

In addition to liabilities, the Statement of Net Position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority did not report any deferred inflows of resources for 2014.

M. Statement of Cash Flows

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

3. DEPOSITS AND INVESTMENTS

Deposits

State statutes classify deposits held by the Authority into three categories.

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

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

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

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of 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 must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities described in division (1) or (2) or cash, or both cash and securities, equal value for equal value;
8. High grade commercial paper in an amount not to exceed up to five percent of the Authority's total portfolio;

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

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

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

- 9. Bankers' acceptances and commercial paper notes in an amount not to exceed two hundred and seventy days and in an amount not to exceed ten percent of the Authority's total average portfolio; and
- 10. Under limited circumstances, corporate debt interest rated in any of the three highest rating classifications by at least two nationally recognized rating agencies.

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

The carrying amount of the cash deposits held by the Authority at December 31, 2014 was \$3,951 and the bank balance was \$3,951. Federal depository insurance covered deposits.

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

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

	<u>Balance</u>	<u>Restricted</u>	
<u>Unrestricted</u>			
Old Fort Banking Company - Checking	\$3,951	\$ -	\$3,951

Investments

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and investment 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity.

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

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

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

	Moody's Rating	Fair Value	Percentage	Investment Maturities (In Years)			
		Category 1	Held	Less than 1	1-3	3-5	More than 5
Croghan Colonial Bank-CD	N/A	\$ 96,309	3.1%	\$ 96,309	\$ -	\$ -	\$ -
Sutton State Bank-CD	N/A	38,222	1.2%	38,222	-	-	-
Fifth Third-CD	N/A	103,740	3.3%	103,740	-	-	-
Old Fort Banking Co.-CD	N/A	94,413	3.0%	-	94,413	-	-
Old Fort Banking Co.-CD	N/A	82,713	2.7%	82,713	-	-	-
1st Bank of Ohio-CD	N/A	106,838	3.4%	106,838	-	-	-
Total Category 1		<u>522,235</u>	<u>16.8%</u>	<u>427,822</u>	<u>94,413</u>	<u>-</u>	<u>-</u>
		Category 3					
Old Fort Banking Repurchased Agreement	N/A	144,703	4.7%	144,703	-	-	-

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

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

	Moody's Rating	Fair Value Category 1	Percentage Held	Investment Maturities (In Years)			
				less than 1	1-3	3-5	more than 5
Fifth Third Securities:							
Barclays Bank CD	N/A	10,663	0.3%	10,663	-	-	-
Citicorp Mrtg Sec Series 2007	Caa1	14,264	0.5%	-	-	-	14,264
Capital One Bk USA Natl Assn	N/A	32,857	1.1%	-	32,857	-	-
Discover Bk Greenw ood Del	N/A	22,985	0.7%	-	22,985	-	-
Federal National Mortgage Assn	B	673	0.0%	-	-	-	673
Federated Prime Val Obligation Fund	N/A	2,826	0.1%	2,826	-	-	-
FT Unit FT GNMA Reinvestment	N/A	101,382	3.3%	-	-	-	101,382
GE CAP Retail BK Draper Utah CD	N/A	34,727	1.1%	-	-	-	34,727
Govt National Mortgage Assn	N/A	320,499	10.3%	-	-	-	320,499
Iberiabank Lafayette	N/A	95,594	3.1%	-	95,594	-	-
Jp Morgan Chase Bank	A1	27,623	0.9%	-	-	-	27,623
HSBC Bank CD	N/A	77,818	2.5%	-	24,950	27,159	25,709
Synchrony Bk Retail CD	N/A	19,822	0.6%	-	-	19,822	-
Subtotal		761,733	24.6%	13,489	176,386	46,981	524,877
Huntington Private Financial:							
Huntington Treasury Money Market	N/A	749	0.0%	749	-	-	-
Ally Bank CD	N/A	55,677	1.8%	-	55,677	-	-
Ally Bank CD	N/A	49,769	1.6%	-	49,769	-	-
America Express Centurion Series CD	N/A	52,739	1.7%	-	52,739	-	-
Discover Bank Medium-Term CD	N/A	35,689	1.2%	-	35,689	-	-
Discover Bank Medium-Term CD	N/A	49,693	1.6%	-	49,693	-	-
Doral Bank CD	N/A	69,516	2.2%	69,516	-	-	-
Federal Home Loan Bank Series	N/A	164,196	5.3%	-	-	164,196	-
Federal Farmers Credit Bank	N/A	128,718	4.1%	-	128,718	-	-
Federal Home Loan Mortgage Corp	N/A	65,120	2.1%	-	-	65,120	-
GE Money Bank Medium-Term CD	N/A	72,675	2.3%	-	72,675	-	-
GE Money Bank Medium-Term CD	N/A	50,540	1.6%	-	50,540	-	-
Goldman Sachs Bank USA CD	N/A	19,334	0.6%	-	19,334	-	-
Horry County State Bank CD	N/A	53,072	1.7%	53,072	-	-	-
Subtotal	N/A	867,487	28.0%	123,337	514,834	229,316	-
KeyBanc Capital Markets:							
Capital One Bk USA Natl Assn Glen Allen	N/A	33,682	1.1%	-	-	33,682	-
Discover Bk Greenw ood Del	N/A	86,240	2.8%	-	86,240	-	-
Goldman Sachs Bank CD	N/A	63,265	2.0%	63,265	-	-	-
Goldman Sachs Bank CD	N/A	72,068	2.3%	72,068	-	-	-
Goldman Sachs Bank CD	N/A	58,141	1.9%	58,141	-	-	-
CIT Bank Salt Lake City UT CD	N/A	89,614	2.9%	89,614	-	-	-
GE Cap Retail Bk Draper Utah Instl	N/A	69,710	2.2%	-	69,710	-	-
GE Cap Retail Bk Draper Utah Instl	N/A	69,710	2.2%	-	69,710	-	-
First Bank Puerto Rico, CD	Ba3	22,068	0.7%	22,068	-	-	-
First Bank Puerto Rico, CD	N/A	94,055	3.0%	94,055	-	-	-
Federal Natl Mtg Assn Fixed Rate	N/A	65,761	2.1%	-	65,761	-	-
Paragon Coml Bank CD	NR	97,315	3.1%	97,315	-	-	-
Accrued Interest	N/A	373	0.0%	373	-	-	-
Federated Money Market	N/A	2,612	0.1%	2,612	-	-	-
Subtotal		824,614	26.6%	499,511	291,421	33,682	-
Total Investments		\$ 3,120,772	100.0%	\$ 1,208,862	\$ 1,077,054	\$ 309,979	\$ 524,877

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

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

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

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

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

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

4. CAPITAL ASSETS

A summary of railroad property and equipment at December 31, 2014 is as follows:

	Beginning Balance <u>12/31/2013</u>	<u>Additions</u>	<u>Disposals</u>	Ending Balance <u>12/31/2014</u>
Land	\$ 310,004	\$ 58,552	\$ -	\$ 368,556
Railroad Track	3,499,909	65,895	-	3,565,804
Highway Crossing Si	389,170	-	-	389,170
Equipment	24,015	-	-	24,015
Totals	<u>\$ 4,223,098</u>	<u>\$ 124,447</u>	<u>\$ -</u>	<u>\$ 4,347,545</u>
	Accumulated Depreciation <u>12/31/2013</u>	<u>Depreciation</u>	<u>Disposals</u>	Accumulated Depreciation <u>12/31/2014</u>
Railroad Track	\$ 2,317,863	\$ 118,117	\$ -	\$ 2,435,980
Highway Crossing Si	103,488	12,972	-	116,460
Equipment	21,244	461	-	21,705
Totals	<u>2,442,595</u>	<u>131,550</u>	<u>-</u>	<u>2,574,145</u>
Net Book Value	<u>\$ 1,780,503</u>	<u>\$ (7,103)</u>	<u>\$ -</u>	<u>\$ 1,773,400</u>

Depreciation was taken on the railroad track over a thirty-year life and on equipment over a fifteen-year life. A detailed inventory by class did not exist at May 1990 when the original track and property was transferred to the Authority. However, most of the inventory was railroad track and signals. Since a detailed inventory is not available, items that are replaced are considered to be fully depreciated and the replaced items are not deducted from the capital asset balance because they are not known.

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

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

5. LONG TERM DEBT

Non-interest revenue bonds were issued in 1990 pursuant to authorization of the Ohio Revised Code in the amount of \$1,117,000 to various shippers who use the railroad. The bonds proceeds were used to purchase 25.1 miles of railroad from Conrail on May 16, 1990. At yearend outstanding debt totals \$755,000.

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

	Beginning Balance <u>12/31/2013</u>	Issued	Redeemed	Ending Balance <u>12/31/2014</u>	Due Within One Year
Revenue Bonds	\$ 807,000	\$ -	\$ 52,000	\$ 755,000	\$77,000
Total Long Term Debt	<u>\$ 807,000</u>	<u>\$ -</u>	<u>\$ 52,000</u>	<u>\$ 755,000</u>	<u>\$77,000</u>

The annual requirements to amortize all bonded and loan debt outstanding as of December 31, 2014:

Year Ending 12/31/2014	Shipper Bonds
2015	77,000
2016	52,000
2017	52,000
2018	52,000
2019	52,000
2020-2024	260,000
2025-2028	<u>210,000</u>
Total Principal	<u>\$ 755,000</u>

6. RESTRICTED FOR DEBT SERVICE

A reserve has been established for future payment of revenue bonds. The reserve balance for 2014 is \$406,556 and is the current balance of the reserve at year-end. This year's annual reserve requirement was \$30,015 and was calculated using the estimated interest income rate of 2.75 percent (\$19,803) plus an amount of \$10,212 that was calculated to payoff the bonds.

7. RESTRICTED FOR REPLACEMENT

Both the shippers and the operator are charged a fee to offset repairs and replacement costs based on the number of cars shipped. The charge for the shippers is generally \$15 per car, but the "per car" amount may vary. The operator was charged \$7 per car. Replacement expenses are closed to this reserve at the end of the year. The balance at yearend in the Restricted for Replacement account is \$565,422.

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

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

8. OPERATOR

Northern Ohio and Western Railway is the current operator for the Authority. For the year ended December 31, 2014, Northern Ohio and Western Railway accounted for approximately \$93,648 (35%), of the Authority's operating income. In June 2010, an extension of the operating agreement for the first five year extension was entered for the period January 2011 until December 2015. The agreement can be extended for three additional five-year terms if both parties agree six months prior to the expiration of the then current term.

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

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

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

9. RISK MANAGEMENT

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

The Authority does not have a "self-insurance" fund with formalized risk management programs. During 2014, the Authority purchased property, public official's liability, railroad liability, and bond policies from United Insurance Service.

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

10. CONDUIT DEBT

In 2009 the Authority began issuing revenue bonds to provide financial assistance to private-sector, governmental and non-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments on the underlying mortgage loans. Upon repayment of the obligations, ownership of the acquired facilities transfers to the entity served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The Authority has also hired Argus Growth Consultants, Ltd. to provide consulting services in the issuance of revenue bonds as it presently does not have the staff to provide these services.

As of December 31, 2014 there are no series of Revenue Bonds outstanding.

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

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

11. OUTSIDE CONTRACT

Presently the Authority does not have any employees or offices. Books of account and operations are handled by the Seneca Industrial and Economic Development Corporation who receives a monthly fee of \$1,834 based on an amended contract dated February 2014.

12. RELATED PARTY TRANSACTIONS

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



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

June 24, 2016

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

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 the **Sandusky County-Seneca County-City of Tiffin Port Authority**, Seneca County, (the Authority) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 24, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 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.



...“bringing more to the table”

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •

• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated June 24, 2016.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	ORC 5705.41(D)	Yes	N/A

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Dave Yost • Auditor of State

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN PORT AUTHORITY

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 23, 2016**