



Dave Yost • Auditor of State

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position December 31, 2012 and 2011	5
Statement of Revenues, Expenses, and Change in Net Position For the Years Ended December 31, 2012 and 2011.....	6
Statement of Cash Flows For the Years Ended December 31, 2012 and 2011.....	7
Notes to the Basic Financial Statements	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Prior Audit Findings.....	19

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Port Authority of Allen County
Allen County
144 South Main Street, Suite 200
Lima, Ohio 45801

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Port Authority of Allen County, Allen County, Ohio (the PAAC), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the PAAC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing those risks of financial statement material misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the PAAC'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 PAAC's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Port Authority of Allen County, Allen County as of December 31, 2012 and 2011, and the respective changes in its financial position and cash flows, thereof, for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2k to the financial statements, during the years ended December 31, 2012 and 2011, the PAAC adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

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*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 September 5, 2013, on our consideration of the PAAC'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 PAAC's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 5, 2013

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
UNAUDITED**

The discussion and analysis of the Port Authority of Allen County's (the PAAC) financial performance provides an overall view of the PAAC's financial activities for the years ended December 31, 2012 and 2011. The intent of this discussion and analysis is to look at the PAAC'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 PAAC's financial performance.

Using This Annual Financial Report

This report consists of three parts, Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Statement of Net Assets - The Statement of Net Position answers the question, "What is our financial position at the end of the year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the PAAC's net assets for fiscal year 2012 compared to fiscal years 2011 and 2010.

Table 1			
Net Position			
	2012	2011	2010
Assets:			
Cash	\$ 247,869	\$ 190,104	\$ 201,730
Loans Receivable	238,175	238,175	238,175
Depreciable Capital Assets	109,609	111,355	19,200
Non-depreciable Capital Assets	5,735,951	4,672,719	4,641,866
Total Assets	6,331,604	5,212,353	5,100,971
Current Liabilities	4,000		
Net Position			
Invested in Capital Assets	5,841,560	4,784,074	4,661,066
Unrestricted	486,044	428,279	439,905
Total Net Position	6,327,604	5,212,353	5,100,971
Total Liabilities and Net Assets	\$6,331,604	\$5,212,353	\$5,100,971

Total assets increased by \$1,119,251, or 21.5% percent from fiscal year 2011 to 2012. Total assets increased by \$111,382 or 2.2% from fiscal year 2010 to 2011. Cash increased by \$57,765 in 2012 over 2011 and decreased \$11,626 in 2011 over 2010. For 2012, the increase in total assets was largely due to the transfer of additional land in the Shawnee Industrial Park from Allen County.

The Statement of Revenues, Expenses, and Changes in Net Position and Table 2 show the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year. That is, it identifies the amount of operating expenses supported by operating funding sources.

**PORT AUTHORITY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
UNAUDITED
(Continued)**

The following is a comparison of 2012 compared with 2011 and 2010.

**Table 2
Change in Net Position**

	2012	2011	2010
Operating Revenue:			
Railroad Rent	\$ 2,400	\$ 2,400	\$ 2,400
Railroad Crossing Reimbursement			224,009
Lease Income	52,665	400	689
Land Purchase Option Income			13,500
Bond Conduit Income			6,676
Total Operating Revenues	<u>55,065</u>	<u>2,800</u>	<u>247,274</u>
Operating Expenses:			
Depreciation	1,746	1,745	1,745
Tax Assessments	10	36	
Repairs and Maintenance		3,535	6,055
Bank Fees		25	72
Signage			439
Railroad Crossing	176	898	224,009
Dues	100	100	100
Professional Fees		5,139	
Accounting and Auditing Fees	2,176	4,837	
Total Operating Expenses	<u>4,208</u>	<u>16,315</u>	<u>232,420</u>
Non-Operating Revenues (Expenses):			
Bank Interest Income	1,162	144	267
Land Transfers to ODOT	(23,582)	(24,447)	
Land Transfers from Allen County	1,086,814	149,200	3,157,200
Total Non-Operating Revenues (Expenses)	<u>1,064,394</u>	<u>124,897</u>	<u>3,157,467</u>
Increase (Decrease) in Net Position	1,115,251	111,382	3,172,321
Net Position at Beginning of Year	5,212,353	5,100,971	1,928,650
Net Position at End of Year	<u>\$6,327,604</u>	<u>\$5,212,353</u>	<u>\$5,100,971</u>

The transfer of the land from the Allen County Commissioners represented 97.4% of the increase in net position for 2012.

Capital Assets

At the end of fiscal years 2012 and 2011, the PAAC had \$5,735,951 and \$4,672,719 respectively invested in land and infrastructure. The PAAC holds various properties for investment for future sale. See Note 5 for further information.

Contacting The PAAC's Financial Management

This financial report is designed to provide citizens with a general overview of the PAAC's finances and to show the PAAC's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Phil Buell, Chairman of the Port Authority of Allen County, 144 South Main Street, Suite 200 Lima, Ohio 45801 or e-mail at pbuell@superiorfcu.com.

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2012 AND 2011**

	2012	2011
Current Assets		
Huntington Cash - Unrestricted	\$ 71,619	\$ 15,016
Citizens Cash - Unrestricted	176,250	75,088
Citizens CD #3011439		100,000
Loans Receivable	238,175	238,175
Total Current Assets	486,044	428,279
 Non-Current Assets		
Depreciable Capital Assets - Net	109,609	111,355
Non-Depreciable Capital Assets	5,735,951	4,672,719
Total Non-Current Assets	5,845,560	4,784,074
 Total Assets	6,331,604	5,212,353
 Current Liabilities		
Land Deposit	4,000	
 Net Position		
Net Investment in Capital Assets	5,841,560	4,784,074
Unrestricted	486,044	428,279
Total Net Position	6,327,604	5,212,353
 Total Liabilities and Net Position	\$6,331,604	\$5,212,353

See accompanying notes to the basic financial statements.

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Operating Revenues:		
Railroad Rent	\$ 2,400	\$ 2,400
Lease Income	52,665	400
Total Operating Revenues	55,065	2,800
Operating Expenses:		
Depreciation	1,746	1,745
Tax Assessments	10	36
Repairs and Maintenance		3,535
Bank Fees		25
Dues	100	100
Railroad Crossing	176	898
Professional Fees		5,139
Accounting and Audit Fees	2,176	4,837
Total Operating Expenses	4,208	16,315
Operating Income (Loss)	50,857	(13,515)
Non-Operating Revenues (Expenses):		
Bank Interest Income	1,162	144
Land Transfers from Allen County	1,086,814	149,200
Land Transfers to ODOT	(23,582)	(24,447)
Total Non-Operating Revenues (Expenses)	1,064,394	124,897
Change in Net Position	1,115,251	111,382
Net Position - Beginning of Period	5,212,353	5,100,971
Net Position - End of Period	\$6,327,604	\$5,212,353

See accompanying notes to the basic financial statements.

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Cash Flows from Operating Activities		
Cash Received from Railroad Rent	\$ 2,400	\$ 2,400
Cash Received from Leases	52,665	400
Cash Received from Land Purchase	4,000	
Cash Paid for Railroad Crossing	(176)	(898)
Cash Paid to Suppliers	(2,286)	(13,672)
Cash Provided (Used) by Operating Activities	56,603	(11,770)
Cash Flows from Investing Activities		
Interest Received	1,162	144
Net Increase (Decrease) in Cash	57,765	(11,626)
Cash at January 1	190,104	201,730
Cash at December 31	\$247,869	\$190,104

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

	2012	2011
Operating Income (Loss)	\$50,857	(\$13,515)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,746	1,745
Land Deposit	4,000	
Net Cash Provided (Used) by Operating Activities	\$56,603	(\$11,770)

	2012	2011
Non Cash Investing and Financing Activities		
Land Transfer from Allen County	\$1,086,814	\$149,200
Land Transfer to Ohio Department of Transportation	(\$ 23,582)	(\$ 24,447)

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. DESCRIPTION OF THE ENTITY

The Port Authority of Allen County, (the PAAC) was created pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution and research and development interests of Allen County including rendering financial and other assistance to such enterprises situated in Allen County and to induce the location in Allen County of other manufacturing, commerce, distribution and research entities; to purchase, subdivide, sell and lease real property in Allen County and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Allen County.

The Port Authority is considered a component unit of Allen County.

The Port Authority Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Allen County Commissioners. Currently, eight Directors serve on the Board.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the PAAC 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.

The more significant of the PAAC's accounting policies are described below.

A. Basis of Presentation

The PAAC's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The PAAC uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

B. 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 statements of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the PAAC finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The PAAC's financial statements are prepared using the accrual basis of accounting.

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues 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. Revenues resulting from non-exchange transactions, in which the PAAC receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the PAAC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to PAAC on reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

The Ohio Revised Code requires that the fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the PAAC to reserve (encumber) appropriations when commitments are made.

E. Cash and Cash Equivalents

The PAAC's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The PAAC's funds are held in checking, money market, and certificate of deposit accounts.

For the purposes of the statement of cash flows and for presentation on the statement of net position, investments with original maturities of three months or less at the time they are purchased by the PAAC are considered to be cash equivalents.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Depreciable capital assets are amortized using the straight-line method for a period of 38 years.

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Loans Receivable

Loans receivable represent loans to not-for-profit entities for various economic development projects.

H. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the PAAC or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. There were no net position restricted by enabling legislation.

The PAAC applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the PAAC, these revenues are primarily rental income and principal and interest loan repayments. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the PAAC. Revenues and expenses not meeting this definition are reported as non-operating.

J. 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 of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

K. Change in Accounting Principle

For the year ended December 31, 2012, the PAAC has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in the PAAC's 2012 and 2011 financial statements; however, there was no effect on beginning net position.

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

3. DEPOSITS AND INVESTMENTS

State statutes require the classification of the monies held by the PAAC into three categories:

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

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

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

Interim monies are to 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 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 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 Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

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

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits - Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the PAAC's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits.

At December 31, 2012 and 2011, the carrying amount of the PAAC's deposits was \$247,869 and \$190,104, respectively. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures* at December 31, 2012 and 2011, the PAAC's bank balances of \$247,869 and \$190,104 were fully insured.

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

4. LOANS RECEIVABLE

In July of 1998, a loan was made to the Lima Growth Association for the purpose of developing infrastructure for three lots numbered one, four, and five within the Shawnee Industrial Park. The loan was issued in the amount of \$200,000 with an interest rate of four percent and will become due and payable upon the sale of the property, but not later than three years from the date of the promissory note.

During 2001, Lima Growth requested extension of the loan for another three years. Lot numbers one and four were sold in December 2003 and February 2001, respectively. There have been no repayments on this loan, nor was there activity during this two year period. The loan balances as of December 31, 2012 are as follows:

Outstanding Loans:	December 31, 2012
Lima Growth Association	\$200,000
Allen County Development Corporation	38,175
Total Loans	<u>\$238,175</u>

5. CAPITAL ASSETS

The PAAC had \$5,735,951 and \$4,672,719 in non-depreciable capital assets at December 31, 2012 and 2011, respectively. This was composed of various land properties in Allen County which are being held as investments for future sale. There were three additions to capital assets during 2012, which accounted for an increase of \$1,073,232. There was also land donated to the Ohio Department of Transportation, accounting for a \$23,582 decrease during 2012.

Capital assets included the following:

Bible Road Property - During August 1986, the PAAC purchased 54.81 acres of land in the Bible Road Industrial Park. The land was recorded at cost. There are 25.21 acres remaining which has a remaining value of \$155,305.

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

5. CAPITAL ASSETS (Continued)

Market Street Property - During November of 1997, the Allen County Commissioners deeded land to the PAAC which was recorded at fair market value. In March and June of 1998, the Allen County Commissioners deeded additional land with a building (which was torn down) to the PAAC which was also recorded at fair market value. The total value recorded was \$318,300. This land was leased to Allen County Properties for the construction and operation of a hotel in downtown Lima. The lease is for 99 years at \$1.00 per year.

Railway - The PAAC holds approximately 44 percent interest in a railway which it leases to a private railroad company. Monthly rental fees are \$200. The lease began on December 17, 2004 and will continue through December 31, 2014 and thereafter from year to year until terminated by either party. The recorded value is \$33,164 for the land and a historical cost of \$66,327 for the track.

Total accumulated depreciation on the track for 2012 and 2011 was \$50,618 and \$48,872, respectively.

Shawnee Industrial Park – The Allen County Commissioners have deeded land to the PAAC to be used for economic development. All land deeded has been recorded as the fair market value at the date of the transfer. During 2011 and 2012, the PAAC donated a combined 3.529 acres to the Ohio Department of Transportation for a highway reconstruction improvement project. A schedule of the recorded values (net of donations) is as follows:

<u>Year Deeded</u>	<u>FMV - Net</u>
1999	\$ 189,000
2000	144,147
2001	643,478
2010	3,134,025
2012	1,082,814
Total Value	<u>\$5,193,464</u>

Main Street Property – During February of 2011, the Allen County Commissioners deeded land and a building to the PAAC which was recorded at the market value recorded by the Allen County Auditor for real estate tax purposes. The total recorded was \$149,200; which consists of \$55,300 for the land and \$93,900 for the building.

Edgewood Estates Property – During 2012, the Allen County Commissioners deeded residential vacant land to the PAAC for the purpose of splitting the parcel and selling the land to adjacent landowners. Prior to transferring the deed to the adjacent landowners, the County’s legal counsel discovered pre-existing issues of the prior owner. The County’s legal counsel is resolving the prior issues and the deed will be recorded in the names of the adjacent land owners in 2013. The land was recorded at \$4,000, which was the selling price of the land.

6. RISK MANAGEMENT

The PAAC has obtained commercial insurance for the risk of public employee dishonesty. Allen County maintains an umbrella liability insurance policy that covers any property that has been transferred by the County to the PAAC for economic development purposes.

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 5, 2013, the date on which the financial statements were available to be issued. There were no events subsequent to December 31, 2012 through May 24, 2013 that had a material effect on these financial statements.

8. OPERATING LEASE COMMITMENTS

The PAAC leases a portion of its property for advertising purposes under a cancelable operating lease with a term of one year with automatic annual renewals. The annual lease income is \$400 per year.

In April 2012, the port Authority entered into two lease agreements, with the same lessee, for agricultural purposes only. The term of both leases are for three years and are set to expire December 31, 2014. The annual lease income for the leases is \$31,383 and 18,920, respectively.

9. REAL ESTATE PURCHASE OPTION

In July 2010, the Port Authority entered into a Real Property Purchase Option Agreement with Kettle Creations, LLC on acreage located in the Shawnee Industrial Park. In July 2012, Kettle Creations, LLC assigned the Purchase Option to BEF Foods, Inc. The agreement gives and grants the sole and exclusive right and option to purchase the property. The option is scheduled to expire December 31, 2013. As of May 24, 2013, this option has not been exercised.

In July 2012 the port Authority entered into a Real Property Purchase Contract with Project Frost on 168.41 acres of real property located in the Shawnee Industrial Park. The contract is set to expire in July 2013; however Project Frost has been dissolved.

This page intentionally left blank.



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*

Port Authority of Allen County
Allen County
144 South Main Street, Suite 200
Lima, Ohio 45801

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 Port Authority of Allen County, Allen County, (the PAAC) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated September 5, 2013, wherein we noted that the PAAC implemented the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the PAAC'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 PAAC'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 PAAC's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the PAAC'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*.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 5, 2013

PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2010-001	Completeness and Accuracy of the Annual Compilation	No	Partially corrected – similar comment reported in the management letter

This page intentionally left blank.



Dave Yost • Auditor of State

PORT AUTHORITY OF ALLEN COUNTY

ALLEN 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 3, 2013**