



Dave Yost • Auditor of State

**BELMONT COUNTY PORT AUTHORITY
BELMONT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Belmont County Port Authority
Belmont County
101 North Market Street – Suite J
St. Clairsville, Ohio 43950

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Belmont County Port Authority, Belmont County, Ohio (the Port Authority), a component unit of Belmont County, Ohio, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of the Belmont County Port Authority, Belmont County, Ohio, as of December 31, 2015 and 2014, and the respective changes in cash financial position and the budgetary comparison for the General thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

The Port Authority is a component unit of Belmont County, Ohio. For the years ending December 31, 2015 and 2014, the Port Authority has elected not to file a Management's Discussion & Analysis. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 28, 2016

Belmont County Port Authority
Statement of Net Position - Cash Basis
December 31, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$573,921</u>
<i>Total Assets</i>	<u><u>\$573,921</u></u>
 Net Position	
Restricted for:	
Capital Projects	\$12,989
Unrestricted	<u>560,932</u>
<i>Total Net Position</i>	<u><u>\$573,921</u></u>

See accompanying notes to the basic financial statements

Belmont County Port Authority
Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
Governmental Activities			
Current:			
Economic Development	\$430,307	\$0	(\$430,307)
Debt Service:			
Principal Retirement	12,099		(12,099)
Interest and Fiscal Charges	9,424	22,936	13,512
<i>Total Governmental Activities</i>	<u>\$451,830</u>	<u>\$22,936</u>	<u>(428,894)</u>
		General Receipts:	
		Contributions from Belmont County	75,000
		Sale of Property	327,840
		Miscellaneous	429
		<i>Total General Receipts</i>	<u>403,269</u>
		Change in Net Position	(25,625)
		<i>Net Position Beginning of Year</i>	<u>599,546</u>
		<i>Net Position End of Year</i>	<u>\$573,921</u>

See accompanying notes to the basic financial statements

Belmont County Port Authority
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2015

	General	EORIP Capital Projects	EORIP Grant Fund	629 Grant Fund	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$514,038	\$46,894	\$12,558	\$431	\$573,921
<i>Total Assets</i>	<u>\$514,038</u>	<u>\$46,894</u>	<u>\$12,558</u>	<u>\$431</u>	<u>\$573,921</u>
Fund Balances					
Restricted	\$0	\$0	\$12,558	\$431	\$12,989
Assigned	495,937	46,894	0	0	542,831
Unassigned	18,101	0	0	0	18,101
<i>Total Fund Balances</i>	<u>\$514,038</u>	<u>\$46,894</u>	<u>\$12,558</u>	<u>\$431</u>	<u>\$573,921</u>

See accompanying notes to the basic financial statements

Belmont County Port Authority
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
 Governmental Funds
 For the Year Ended December 31, 2015

	General	EORIP Capital Projects	EORIP Grant Fund	629 Grant Fund	Total Governmental Funds
Receipts					
Belmont County Contributions	\$75,000	\$0	\$0	\$0	\$75,000
Rent	22,936	0	0	0	22,936
Miscellaneous	429	0	0	0	429
<i>Total Receipts</i>	<u>98,365</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>98,365</u>
Disbursements					
Current:					
Economic Development	101,633	250,540	78,134	0	430,307
Debt Service:					
Principal Retirement	12,099	0	0	0	12,099
Interest and Fiscal Charges	9,424	0	0	0	9,424
<i>Total Disbursements</i>	<u>123,156</u>	<u>250,540</u>	<u>78,134</u>	<u>0</u>	<u>451,830</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,791)</u>	<u>(250,540)</u>	<u>(78,134)</u>	<u>0</u>	<u>(353,465)</u>
Other Financing Sources (Uses)					
Sale of Property	327,840	0	0	0	327,840
<i>Total Other Financing Sources (Uses)</i>	<u>327,840</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>327,840</u>
<i>Net Change in Fund Balances</i>	303,049	(250,540)	(78,134)	0	(25,625)
<i>Fund Balances Beginning of Year</i>	<u>210,989</u>	<u>297,434</u>	<u>90,692</u>	<u>431</u>	<u>599,546</u>
<i>Fund Balances End of Year</i>	<u>\$514,038</u>	<u>\$46,894</u>	<u>\$12,558</u>	<u>\$431</u>	<u>\$573,921</u>

See accompanying notes to the basic financial statements

Belmont County Port Authority
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual - Budget Basis
 General Fund
 For the Year Ended December 31, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Belmont County Contributions	\$75,000	\$75,000	\$75,000	\$0
Rent	6,881	27,523	22,936	(4,587)
Miscellaneous	0	0	429	429
<i>Total Receipts</i>	81,881	102,523	98,365	(4,158)
Disbursements				
Current:				
Economic Development	532,925	532,925	101,633	431,292
Debt Service:				
Principal Retirement	0	12,099	12,099	0
Interest and Fiscal Charges	40,643	28,544	9,424	19,120
<i>Total Disbursements</i>	573,568	573,568	123,156	450,412
<i>Excess of Receipts Over (Under) Disbursements</i>	(491,687)	(471,045)	(24,791)	446,254
Other Financing Sources (Uses)				
Sale of Property	0	277,840	327,840	50,000
<i>Total Other Financing Sources (Uses)</i>	0	277,840	327,840	50,000
<i>Net Change in Fund Balance</i>	(491,687)	(193,205)	303,049	496,254
<i>Unencumbered Fund Balance Beginning of Year</i>	210,989	210,989	210,989	0
<i>Unencumbered Fund Balance End of Year</i>	(\$280,698)	\$17,784	\$514,038	\$496,254

See accompanying notes to the basic financial statements

Belmont County Port Authority
Statement of Net Position - Cash Basis
December 31, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$599,546</u>
<i>Total Assets</i>	<u><u>\$599,546</u></u>
Net Position	
Restricted for:	
Capital Projects	\$91,123
Unrestricted	<u>508,423</u>
<i>Total Net Position</i>	<u><u>\$599,546</u></u>

See accompanying notes to the basic financial statements

Belmont County Port Authority
Statement of Activities - Cash Basis
For the Year Ended December 31, 2014

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities			
Current:			
Economic Development	\$681,425	\$0	(\$681,425)
Debt Service:			
Principal Retirement	10,716	0	(10,716)
Interest and Fiscal Charges	10,807	27,523	16,716
<i>Total Governmental Activities</i>	<u>\$702,948</u>	<u>\$27,523</u>	<u>(675,425)</u>
		General Receipts:	
		Contributions from Belmont County	125,000
		Oil & Gas	496,965
		Sale of Property	<u>247,863</u>
		<i>Total General Receipts</i>	<u>869,828</u>
		Change in Net Position	194,403
		<i>Net Position Beginning of Year</i>	<u>405,143</u>
		<i>Net Position End of Year</i>	<u>\$599,546</u>

See accompanying notes to the basic financial statements

Belmont County Port Authority
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2014

	General	EORIP Capital Projects	EORIP Grant Fund	629 Grant Fund	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$210,989	\$297,434	\$90,692	\$431	\$599,546
<i>Total Assets</i>	<u>\$210,989</u>	<u>\$297,434</u>	<u>\$90,692</u>	<u>\$431</u>	<u>\$599,546</u>
Fund Balances					
Restricted	\$0	\$0	\$90,692	\$431	\$91,123
Assigned	193,204	297,434	0	0	490,638
Unassigned	17,785	0	0	0	17,785
<i>Total Fund Balances</i>	<u>\$210,989</u>	<u>\$297,434</u>	<u>\$90,692</u>	<u>\$431</u>	<u>\$599,546</u>

See accompanying notes to the basic financial statements

Belmont County Port Authority
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2014

	General	EORIP Capital Projects	EORIP Grant Fund	629 Grant Fund	Total Governmental Funds
Receipts					
Belmont County Contributions	\$125,000	\$0	\$0	\$0	\$125,000
Gas and Oil	496,965	0	0	0	496,965
Rent	27,523	0	0	0	27,523
<i>Total Receipts</i>	<u>649,488</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>649,488</u>
Disbursements					
Current:					
Economic Development	438,104	2,566	240,755	0	681,425
Debt Service:					
Principal Retirement	10,716	0	0	0	10,716
Interest and Fiscal Charges	10,807	0	0	0	10,807
<i>Total Disbursements</i>	<u>459,627</u>	<u>2,566</u>	<u>240,755</u>	<u>0</u>	<u>702,948</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>189,861</u>	<u>(2,566)</u>	<u>(240,755)</u>	<u>0</u>	<u>(53,460)</u>
Other Financing Sources (Uses)					
Sale of Property	247,863	0	0	0	247,863
Transfers In	0	300,000	0	0	300,000
Transfers Out	(300,000)	0	0	0	(300,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(52,137)</u>	<u>300,000</u>	<u>0</u>	<u>0</u>	<u>247,863</u>
<i>Net Change in Fund Balances</i>	137,724	297,434	(240,755)	0	194,403
<i>Fund Balances Beginning of Year</i>	<u>73,265</u>	<u>0</u>	<u>331,447</u>	<u>431</u>	<u>405,143</u>
<i>Fund Balances End of Year</i>	<u>\$210,989</u>	<u>\$297,434</u>	<u>\$90,692</u>	<u>\$431</u>	<u>\$599,546</u>

See accompanying notes to the basic financial statements

Belmont County Port Authority
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual - Budget Basis
 General Fund
 For the Year Ended December 31, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Belmont County Contributions	\$75,000	\$125,000	\$125,000	\$0
Oil & Gas	0	496,115	496,965	850
Rent	0	27,523	27,523	0
<i>Total Receipts</i>	<u>75,000</u>	<u>648,638</u>	<u>649,488</u>	<u>850</u>
Disbursements				
Current:				
Economic Development	620,762	620,762	438,104	182,658
Debt Service:				
Principal Retirement	30,243	19,436	10,716	8,720
Interest and Fiscal Charges	0	10,807	10,807	0
<i>Total Disbursements</i>	<u>651,005</u>	<u>651,005</u>	<u>459,627</u>	<u>191,378</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(576,005)</u>	<u>(2,367)</u>	<u>189,861</u>	<u>192,228</u>
Other Financing Sources (Uses)				
Sale of Property	0	247,863	247,863	0
Transfers Out	0	(300,000)	(300,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(52,137)</u>	<u>(52,137)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(576,005)	(54,504)	137,724	192,228
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>73,265</u>	<u>73,265</u>	<u>73,265</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u><u>(\$502,740)</u></u>	<u><u>\$18,761</u></u>	<u><u>\$210,989</u></u>	<u><u>\$192,228</u></u>

See accompanying notes to the basic financial statements

Belmont County Port Authority
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE 1 – REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Belmont County Port Authority, Belmont County, Ohio (the Port Authority), as a body corporate and politic. The Port Authority operates under the direction of a nine member Board of Directors. The Board is comprised of nine members appointed by the Belmont County Commissioners. The Port Authority is authorized to purchase, construct, sell, lease and operate facilities within its jurisdiction as enumerated in Ohio Revised Code Sections 4582.01 through 4582.20.

The Port Authority Board elects a chairperson, vice-chairperson, secretary and treasurer. The chairperson will preside over all meetings and will appoint committee members from the Port Authority Board as deemed necessary. The Port Authority Board may employ a director and other staff he deems necessary. The Port Authority was created to promote economic growth and development in the County.

The Port Authority is a discretely presented component unit in Belmont County's December 31, 2015 and 2014 Comprehensive Annual Financial Reports, as defined by the provisions of GASB Statement Nos. 14 and No. 39. Also, Belmont County serves as the fiscal agent for the Port Authority. The Port Authority's management believes these financial statements represent all activities for which the Port Authority is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Port Authority's accounting policies.

A. Basis of Presentation

The Port Authority's basic financial statements consist of government-wide financial statements, including a statement of position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Position presents the financial condition of the governmental activities of the Port Authority at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Port Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Port Authority, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Port Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (Continued)

Fund Financial Statements

During the year, the Port Authority segregates transactions related to certain Port Authority functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Port Authority at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The Port Authority uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Port Authority are governmental.

General Fund - This fund receives contributions from the primary government, Belmont County, for the general operations of the Port Authority. The General Fund balance is available to the Port Authority for any purpose provided it is expended or transferred according to the general laws of Ohio.

Eastern Ohio Regional Industrial Park Waterline Grant Fund – This capital projects fund received contributions from Belmont County to be used as matching funds for a grant to be used for waterline installation to and within the East Ohio Regional Industrial Park.

629 Roadwork Development Grant Fund – This capital projects fund accounted for the receipts and expenditures of a grant from the Ohio Department of Development for the construction of a road within the East Ohio Regional Industrial Park. It now only carries a balance of funds remaining after completion of the project.

Eastern Ohio Regional Industrial Park Fund – This capital projects fund received oil and gas lease payments from Rice Energy to be used for the Eastern Ohio Regional Industrial Park.

C. Basis of Accounting

The Port Authority's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Port Authority's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Port Authority are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Port Authority may appropriate.

The appropriations resolution is the Port Authority's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Port Authority. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Port Authority Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Port Authority.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Port Authority during the year.

E. Cash

The Belmont County Treasurer is custodian for the Port Authority's cash. The Port Authority's cash is held in the County's cash and investment pool, and is valued at the County Treasurer's carrying amount. Deposits and investment disclosures for the County as a whole may be obtained from the County.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Port Authority reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Port Authority reports advances-in and advances-out for interfund loans. There were no advances during 2015 or 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accumulated Leave

Upon leaving employment, employees are not entitled to cash payments for unused sick leave. Employees may be entitled to cash payments for unused vacation hours. Accumulated vacations hours are small and deemed insignificant. Unpaid vacation hours are not reflected as a liability under the Port Authority's cash basis of accounting.

K. Long-Term Obligations

The Port Authority's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither any other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for capital projects for waterline construction. The Port Authority's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

M. Fund Balance

Fund balance is divided into four classifications based primarily on the extent to which the Port Authority is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Port Authority. Those committed amounts cannot be used for any other purpose unless the Port Authority removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Port Authority, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Port Authority for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Port Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Balance (Continued)

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Port Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NOTE 4 - COMPLIANCE

Contrary to Ohio law, the Port Authority's expenditures exceeded appropriations in the Eastern Ohio Regional Industrial Park Waterline Grant Fund by \$36,482 for the year ended December 31, 2014.

NOTE 5 – EQUITY IN POOLED CASH

The Belmont County Auditor serves as fiscal agent of the Port Authority. The Ohio Revised Code prescribes allowable deposits and investments for both the Port Authority and the County. At December 31, 2015 and 2014, the Port Authority had cash with a carrying amount of \$573,921 and \$599,546, respectively, which are included in and collateralized with Belmont County's cash management pool.

NOTE 6 – DEFINED BENEFIT PENSION PLAN

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in state and local employer units. For the year ended December 31, 2015, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2015, member and employer contribution rates were consistent across all three plans.

The Port Authority's 2014 contribution rate was 14.0 percent. The portion of the Port Authority's contribution used to fund pension benefits is net of post-employment health care benefits. The portion of the Port Authority's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remains at 2 percent. Employer contribution rates are actuarially determined.

The Port Authority's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2015 and 2014 were \$8,777 and \$9100, respectively.

NOTE 7 – POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

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

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

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS.

NOTE 7 – POSTEMPLOYMENT BENEFITS (continued)

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remains at 2 percent for both plans, as recommended by OPERS actuary.

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

The Port Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015 and 2014 were \$1,043 and \$1,023, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 8 – CONTINGENCIES

Grants

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 9 – RELATED PARTY TRANSACTION

The Port Authority received operating subsidies of \$75,000 from the Belmont County Commissioners in 2015 and \$125,000 in 2014.

NOTE 10 – LOANS

The Port Authority Board of Directors authorized borrowing \$325,000 to purchase the Armory building in Bellaire in July 2012. The loan term is 15 years and the interest rate is 5.25%. The outstanding balance of the loan at December 31, 2015 is \$184,317.

Belmont County Port Authority
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE 10 – LOANS (Continued)

Principal and interest requirements to retire the 2012 note outstanding at December 31, 2015 are as follows:

Year ending December 31:	Armory Building Note	
	Principal	Interest
2016	\$12,071	\$9,453
2017	12,721	8,803
2018	13,405	8,119
2019	14,126	7,398
2020	14,886	6,638
2021-2025	87,330	20,285
2026-2027	29,778	1,187
Total	<u>\$184,317</u>	<u>\$61,883</u>



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

Belmont County Port Authority
Belmont County
101 North Market Street – Suite J
St. Clairsville, Ohio 43950

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 cash-basis financial statements of the governmental activities and each major fund of the Belmont County Port Authority, Belmont County, Ohio (the Port Authority), a component unit of Belmont County, Ohio, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated November 28, 2016, wherein we noted the Port Authority uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Port Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2015-001 through 2015-002 to be material weaknesses.

Compliance and Other Matters

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

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However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2015-001.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

November 28, 2016

**BELMONT COUNTY PORT AUTHORITY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

During 2014, the following budgetary variance occurred.

Fund	Appropriations	Expenditures	Variance
EORIP (N57)	\$204,273	\$240,755	(\$36,482)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Port Authority.

The Board of Directors should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending.

FINDING NUMBER 2015-002

Material Weakness

The Port Authority should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets document compliance with finance-related legal and contractual requirements and prepare financial statements. As part of this accounting system, the Port Authority should have procedures in place for a review of transactions posted by the County Auditor.

As a result of audit procedures performed, misclassifications/adjustments were noted in the Port Authority's financial statements that required adjustment for 2015:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements and was codified as follows: GASB Cod. 1800.176 requires reporting year-end General Fund balances appropriated in the next fiscal year as Assigned. GASB Cod. 1800.168-169 requires reporting funds whose revenue had external legal restrictions as restricted. GASB Cod. 1800.173 requires reporting fund balances that are constrained by the government's intent to be used for a specific purpose, but are not committed or restricted, should be reported as assigned. The Port Authority improperly reported the restricted portion, in the amount of \$12,989, the assigned portion, in the amount of \$46,894 in the Capital Project Funds as unassigned instead of restricted and assigned. Also, the General Fund assigned portion, in the amount \$495,937 as unassigned instead of assigned.

As a result of audit procedures performed, misclassifications/adjustments were noted in the Port Authority's financial statements that required adjustment for 2014:

- Oil and gas lease monies were posted to the Capital Projects Fund instead of the General Fund in the amount of \$300,000.

**BELMONT COUNTY PORT AUTHORITY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-002 (Continued)

Material Weakness (Continued)

- Oil and gas lease monies were posted to revenue account Miscellaneous in the General Fund instead of Oil & Gas in the amount of \$196,965.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements and was codified as follows: GASB Cod. 1800.176 requires reporting year-end General Fund balances appropriated in the next fiscal year as Assigned. GASB Cod. 1800.168-169 requires reporting funds whose revenue had external legal restrictions as Restricted. GASB Cod. 1800.173 requires reporting fund balances that are constrained by the government's intent to be used for a specific purpose, but are not committed or restricted, should be reported as assigned. The Port Authority improperly reported the restricted portion, in the amount of \$91,123, the assigned portion, in the amount of \$297,434 in the Capital Project Funds as unassigned instead of restricted and assigned. Also, the General Fund assigned portion, in the amount \$193,204 as unassigned instead of assigned

The Port Authority did not consistently post oil & gas receipts to the proper fund type or the proper revenue line account classification. These significant mispostings, by the Port Authority, were incorrectly reported on the year-end financial statements prepared by the Port Authority. Also, the year-end financial statements prepared by the Port Authority did not report the fund equity properly in the Capital Project Funds and General Fund. These reclassifications and adjustments were due to limited oversight by management. The significant reclassifications and adjustments, with which management agrees, were posted to the financial statements and the accounting system of the Port Authority. Also, the Port Authority failed to create a fund balance policy.

The Port Authority should ensure the proper fund receipt classification to ensure the Port Authority's accounting system and year-end financial statements are properly reported. Also, the Port Authority should create and approve a fund balance policy.

Officials' Response: We did not receive a response to the findings above.

**BELMONT COUNTY PORT AUTHORITY
BELMONT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
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	Ohio Rev. Code § 5705.41(D)(1) - not properly certify the availability of funds prior to purchase commitment.	Yes	Corrected
2013-002	Ohio Admin. Code § 117-2-02 (A) – receipts were not properly posted.	No	Not Corrected. Reissued in the Schedule of Findings as item 2015-002.

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BELMONT COUNTY PORT AUTHORITY

BELMONT 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
DECEMBER 22, 2016**