



Dave Yost • Auditor of State

**JEFFERSON COUNTY PORT AUTHORITY
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jefferson County Port Authority
Jefferson County
600 Airpark Drive
Wintersville, Ohio 43953

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Jefferson County Port Authority, Jefferson County, (the Authority) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 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 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Authority prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Authority does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Jefferson County Port Authority, Jefferson County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 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.



Dave Yost
Auditor of State
Columbus, Ohio

October 26, 2016

Jefferson County Port Authority
Jefferson County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Charges for Services	113,960			113,960
Intergovernmental	167,999			167,999
Earnings on Investments	151			151
Miscellaneous	53,774		13,868,055	13,921,829
<i>Total Cash Receipts</i>	<u>335,884</u>	<u>0</u>	<u>13,868,055</u>	<u>14,203,939</u>
Cash Disbursements				
Current:				
General Government	128,440	2,004		130,444
Public Works		360		360
Capital Outlay	3,000	93,395	13,868,055	13,964,450
<i>Total Cash Disbursements</i>	<u>131,440</u>	<u>95,759</u>	<u>13,868,055</u>	<u>14,095,254</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>204,444</u>	<u>(95,759)</u>	<u>0</u>	<u>108,685</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	3,000			3,000
Transfers In			50,000	50,000
Transfers Out	(50,000)			(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(47,000)</u>	<u>0</u>	<u>50,000</u>	<u>3,000</u>
<i>Net Change in Fund Cash Balances</i>	157,444	(95,759)	50,000	111,685
<i>Fund Cash Balances, January 1</i>	<u>154,609</u>	<u>100,688</u>	<u>0</u>	<u>255,297</u>
Fund Cash Balances, December 31				
Committed			50,000	50,000
Assigned		4,929		4,929
Unassigned (Deficit)	312,053			312,053
<i>Fund Cash Balances, December 31</i>	<u>\$312,053</u>	<u>\$4,929</u>	<u>\$50,000</u>	<u>\$366,982</u>

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

Jefferson County Port Authority
Jefferson County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Intergovernmental	160,000		160,000
Earnings on Investments	24	108	132
Miscellaneous	62,011		62,011
<i>Total Cash Receipts</i>	<u>222,035</u>	<u>108</u>	<u>222,143</u>
Cash Disbursements			
Current:			
General Government	154,166		154,166
Public Works		4,307	4,307
<i>Total Cash Disbursements</i>	<u>154,166</u>	<u>4,307</u>	<u>158,473</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>67,869</u>	<u>(4,199)</u>	<u>63,670</u>
<i>Fund Cash Balances, January 1</i>	<u>86,740</u>	<u>104,887</u>	<u>191,627</u>
Fund Cash Balances, December 31			
Assigned		100,688	100,688
Unassigned (Deficit)	154,609		154,609
<i>Fund Cash Balances, December 31</i>	<u>\$154,609</u>	<u>\$100,688</u>	<u>\$255,297</u>

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

**JEFFERSON COUNTY PORT AUTHORITY
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Jefferson County Port Authority, Jefferson County, (the Authority) as a body corporate and politic. The Authority is governed by a nine member Board. The Jefferson County Commissioners and the City of Steubenville each appoint four members each to direct the Authority. A ninth member is appointed by the Jefferson County Regional Planning Commission. The Authority's territorial limits encompass Jefferson County and the City of Steubenville.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Fund Accounting

The Authority uses fund accounting to segregate cash and investments that are restricted as to use. The Authority classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Fund

This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Authority had the following significant Special Revenue Fund:

Industrial Park Fund - This fund accumulates funds and pays for upkeep of the Industrial Park.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Authority had the following significant capital project funds:

JEFFERSON COUNTY PORT AUTHORITY
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plains Energy Project – The Port Authority records memo receipts and expenditures in this fund related to the Plains Energy Project.

D. Budgetary Process

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control, 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 unencumbered cash as of January 1.

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Authority must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Authority classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *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.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Authority must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**JEFFERSON COUNTY PORT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Authority's Board or a Authority official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

The 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.

F. Property, Plant, and Equipment

The Authority records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Authority maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2015	2014
Demand deposits	\$366,982	\$255,297
Total deposits	366,982	255,297

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**JEFFERSON COUNTY PORT AUTHORITY
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$322,000	\$338,884	\$16,884
Special Revenue	10,000		(10,000)
Capital Projects	59,125,000	13,918,055	(45,206,945)
Total	\$59,457,000	\$14,256,939	(\$45,200,061)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$228,305	\$181,440	\$46,865
Special Revenue	98,500	95,759	2,741
Capital Projects	56,075,000	13,868,055	42,206,945
Total	\$56,401,805	\$14,145,254	\$42,256,551

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$223,197	\$222,035	(\$1,162)
Special Revenue	10,103	108	(9,995)
Total	\$233,300	\$222,143	(\$11,157)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$173,245	\$154,166	\$19,079
Special Revenue	19,670	4,307	15,363
Total	\$192,915	\$158,473	\$34,442

4. RETIREMENT SYSTEMS

The Authority's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Port Authority contributed an amount equaling 14% of participants' gross salaries. The Port Authority has paid all contributions required through December 31, 2015.

**JEFFERSON COUNTY PORT AUTHORITY
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. RISK MANAGEMENT

The Port Authority is covered as part of Jefferson County's insurance coverage. County officials entered into an agreement with the County Risk Sharing Authority (CORSA), in conjunction with the County Commissioners Association of Ohio, to provide insurance coverage on property, buildings, vehicles, and equipment through a self-insurance program. Real property and contents are 100% insured.

The County Risk Sharing Authority, Inc. (CORSA) is a public entity shared risk pool among forty-one counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self Insurance program, a primary group and Excess Insurance/Self Insurance and Risk Management Program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage's provided by CORSA.

These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' error and omissions liability insurance.

Each member, one from each member county, has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each Member County's control over budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member Counties' obligation to make coverage payments to CORSA. The participating counties have no responsibility for the payment of certificates. The County does not have an equity interest or financial responsibility.

6. PLAINS ENERGY PROJECT

The Port Authority was presented with a request by Plains Energy's consultants regarding the use of Ohio's sales tax abatement program, which is used widely by Ports across the state. The program allows for large capital investments to be built through the Port (i.e. the Port actually owns the land improvements as a Port facility). The Plains project is forecasted to be a total capital investment exceeding \$50 million. The program becomes a tax incentive tool because the Port, as an Ohio political subdivision, does not pay sales taxes on construction materials purchased for the oil tank farm distribution complex. This tax exemption then ultimately benefits Plains Energy, as the company is responsible for all construction costs under the terms of the contract.

The law firm of Bricker & Eckler, a recognized Ohio expert in public finance, was retained by the Port (with all legal fees paid by Plains Energy) to structure the contracts. Bricker & Eckler negotiated what they explained was fairly standard in Ohio--a 20% service fee payable to the Port. As the facility is built and sales tax savings flow through to Plains Energy, a service fee equal to 20% of gross savings is due to the Port. This has yielded \$120,000.00 in fees to the Port thus far.

Bricker and Eckler arranged a structure whereby Plains is responsible for funding a Port bank account and directly handling all contractor payments (outlined in the Management Agreement, which stipulates that Plains will build and manage the facility while under Port ownership). This investment process is reflected in a fund in the Port's accounting system. Finally, Bricker and Eckler recommended a minimum Port ownership period of 4 years from the date of Closing. Should the Port Board want to sell the asset to its Manager, Plains, after 4 years, the contract requires Plains to purchase the facility for \$25,000.00.

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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*

Jefferson County Port Authority
Jefferson County
600 Airpark Drive
Wintersville, Ohio 43952

To the Governing Board:

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 cash balances, receipts, and disbursements by fund type of the Jefferson County Port Authority, Jefferson 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 October 26, 2016 wherein we noted the Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit..

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 opinion 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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.

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

October 26, 2016



Dave Yost • Auditor of State

JEFFERSON COUNTY PORT AUTHORITY

JEFFERSON 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
NOVEMBER 22, 2016**