



Certified Public Accountants, A.C.

**SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY
SENECA COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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Dave Yost • Auditor of State

Board of Directors
Sandusky County-Seneca County-City of Tiffin Port Authority
PO Box 767
Tiffin, Ohio 44883

We have reviewed the *Independent Auditor's Report* of the Sandusky County-Seneca County-City of Tiffin Port Authority, Seneca County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 20, 2018

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

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INDEPENDENT AUDITOR'S REPORT

June 19, 2018

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Sandusky County-Seneca County-City of Tiffin Port Authority**, Seneca County, (the Authority) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sandusky County-Seneca County-City of Tiffin Port Authority, Seneca County, Ohio, as of December 31, 2017 and 2016 and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



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

SANDUSKY COUNTY-SENECA COUNTY, CITY OF TIFFIN PORT AUTHORITY

*Management's Discussion and Analysis
For the Years Ended December 31, 2017 and 2016*

Unaudited

The discussion and analysis of Seneca County, Sandusky County, City of Tiffin Port Authority's (the Authority) financial performance provides an overall view of the financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

Total 2017 net financial position increased \$98,218 from the 2016 decrease of \$67,667. This was due to a large increase in the movement of cars. Operating and non-operating revenues were \$313,245 and operating expenses and non-operating expenses were \$215,027. Depreciation expense was the largest expense totaling \$136,811.

Using this Annual Financial Report

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

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

Reporting the Authority as a Whole:

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

These statements view the Authority as a whole and look at all financial transactions and ask the question, "How did we do financially during 2017?" The Statement of Financial Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Business-type activities are provided on a "Charge for Services" basis to recover all of the expenses of the goods or services provided. The Authority's operations are reported as business activities.

The Authority as a Whole

Recall that the Statement of Net Position provides the perspective of the Authority as a whole. Table 1 provides a summary of the Authority's financial position for 2017 compared to 2016:

SANDUSKY COUNTY-SENECA COUNTY, CITY OF TIFFIN PORT AUTHORITY

*Management's Discussion and Analysis
For the Years Ended December 31, 2017 and 2016*

Unaudited

**Table 1
Net Position**

Business-Type Activities

	<u>2017</u>	<u>2016</u>
Asset		
Current Assets	\$ 2,533,308	\$ 2,368,061
Restricted Assets	856,161	920,299
Capital Assets	<u>1,528,863</u>	<u>1,583,562</u>
Total Assets	<u><u>4,918,332</u></u>	<u><u>4,871,922</u></u>
Liabilities		
Current and Other Liabilities	65,655	65,463
Long-term Liabilities	<u>522,000</u>	<u>574,000</u>
Total Liabilities	<u><u>587,655</u></u>	<u><u>639,463</u></u>
Net Position		
Net Investment in Capital Assets	954,862	957,562
Restricted	856,161	920,299
Unrestricted	<u>2,519,654</u>	<u>2,354,598</u>
Total Net Position	<u><u>\$ 4,330,677</u></u>	<u><u>\$ 4,232,459</u></u>

Total assets increased \$46,410. Cash and investments increased by \$75,951. Table 2 shows the changes in net position for the year 2017 and 2016:

**Table 2
Change in Net Position**

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$ 265,628	\$ 108,291
Operating Expenses	<u>(197,837)</u>	<u>(224,957)</u>
Operating Income (Loss)	67,791	(116,666)
Non-Operating Revenues (Expenses):		
Interest, Dividends, and Realized Gains	47,617	47,526
Change in Fair Value of Investments	<u>(17,190)</u>	<u>1,473</u>
Total Non-Operating Revenues (Expenses)	<u>30,427</u>	<u>48,999</u>
Change in Net Position	<u><u>\$ 98,218</u></u>	<u><u>\$ (67,667)</u></u>

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2017 the Authority had \$4,479,573 (net of accumulated depreciation of \$2,950,710) invested in land, infrastructure, and equipment. Table 3 shows 2017 balances compared to 2016:

SANDUSKY COUNTY-SENECA COUNTY, CITY OF TIFFIN PORT AUTHORITY

*Management's Discussion and Analysis
For the Years Ended December 31, 2017 and 2016*

Unaudited

**Table 3
Capital Assets (Net of Depreciation)**

<u>Business-Type Activities</u>	<u>2017</u>	<u>2016</u>
Land	\$ 368,558	\$ 368,558
Railroad Track	3,615,718	3,615,718
Highway Crossing Signals	471,282	389,170
Equipment	24,015	24,015
Accumulated Depreciation	<u>(2,950,710)</u>	<u>(2,813,899)</u>
Totals	<u>\$ 1,528,863</u>	<u>\$ 1,583,562</u>

Debt

At December 31, 2017 the Authority had \$574,000 in bonds outstanding, \$52,000 due within one year.

**Table 4
Outstanding Debt, at Year End**

	<u>2017</u>	<u>2016</u>
Shipper Bonds Payable	\$ 574,000	\$ 626,000
Totals	<u>\$ 574,000</u>	<u>\$ 626,000</u>

For the Future

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

Contacting the Authority's Financial Management

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

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

**Statements of Net Position
December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current Assets:		
Cash	\$ 3,772	\$ 3,837
Investments	2,486,739	2,346,585
Accounts Receivable - Net of \$5,000	34,405	9,089
Accrued Interest	233	231
Prepaid Items	8,159	8,319
Total Current Assets	<u>2,533,308</u>	<u>2,368,061</u>
Investments - Restricted	856,161	920,299
Non-Depreciable Capital Assets	368,558	368,558
Capital Assets, net of Depreciation	<u>1,160,305</u>	<u>1,215,004</u>
Net Capital Assets	<u>1,528,863</u>	<u>1,583,562</u>
Total Assets	<u>\$ 4,918,332</u>	<u>\$ 4,871,922</u>
<u>Liabilities</u>		
Current Liabilities:		
Loan from Shippers Payable - Current Portion	\$ 52,000	\$ 52,000
Accrued Property Tax	<u>13,655</u>	<u>13,463</u>
Total Current Liabilities	<u>65,655</u>	<u>65,463</u>
Long-Term Liabilities:		
Loans from Shippers Payable	<u>522,000</u>	<u>574,000</u>
Total Long-Term Liabilities	522,000	574,000
Total Liabilities	<u>587,655</u>	<u>639,463</u>
<u>Net Position</u>		
Net Investment in Capital Assets	954,862	957,562
Restricted for Debt Service	311,906	335,755
Restricted for Maintenance	544,255	584,544
Unrestricted	<u>2,519,654</u>	<u>2,354,598</u>
Total Net Position	<u>4,330,677</u>	<u>4,232,459</u>
Total Liabilities and Net Position	<u>\$ 4,918,332</u>	<u>\$ 4,871,922</u>

See Accompanying Notes to the Financial Statements.

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

**Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Charges for Services	\$ 265,628	\$ 108,291
Total Operating Revenues	<u>265,628</u>	<u>108,291</u>
Operating Expenses:		
Outside Service Expense	17,808	17,808
Insurance Expense	21,991	22,138
Professional Expense	7,340	17,413
Property Tax Expense	13,655	13,463
Bad Debt Expense	-	22,230
Depreciation Expense	136,811	131,442
Miscellaneous Expense	232	463
Total Operating Expenses	<u>197,837</u>	<u>224,957</u>
Operating Income (Loss)	<u>67,791</u>	<u>(116,666)</u>
Non-Operating Revenues (Expenses):		
Interest, Dividends, and Realized Capital Gains	47,617	47,526
Change in Fair Value of Investments	(17,190)	1,473
Total Non-Operating Revenues (Expenses)	<u>30,427</u>	<u>48,999</u>
Change in Net Assets	<u>98,218</u>	<u>(67,667)</u>
Net Position Beginning of Year	<u>4,232,459</u>	<u>4,300,126</u>
Net Position End of Year	<u>\$ 4,330,677</u>	<u>\$ 4,232,459</u>

See Accompanying Notes to the Financial Statements.

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

**Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash Received from Shippers and Operator	\$ 240,312	\$ 145,743
Cash Paid for Services and Supplies	<u>(60,674)</u>	<u>(71,245)</u>
Net Cash Provided by Operating Activities	<u>179,638</u>	<u>74,498</u>
Cash Flows from Investing Activities:		
Purchase/(Sale)-Net of Investments	(46,000)	45,770
Interest Income from Repurchased Agreement	<u>409</u>	<u>404</u>
Net Cash Provided by Investing Activities	<u>(45,591)</u>	<u>46,174</u>
Cash Flows from Capital and Related Financing Activities:		
Principal Repayment on Shipper Bonds	(52,000)	(77,000)
Purchase of Capital Assets	<u>(82,112)</u>	<u>(43,528)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(134,112)</u>	<u>(120,528)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(65)	144
Cash and Cash Equivalents, Beginning of Year	<u>3,837</u>	<u>3,693</u>
Cash and Cash Equivalents, End of Year	<u><u>3,772</u></u>	<u><u>3,837</u></u>
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:		
Change in Operating Income	<u>67,791</u>	<u>(116,666)</u>
Adjustments to Reconcile Change in Net Position to Net Cash from Operating Activities:		
Depreciation Expense	136,811	131,442
Bad Debts	-	22,230
(Increase) Decrease in Accounts Receivable (Net)	(25,316)	37,452
(Increase) Decrease in Prepaid Items	160	(122)
Increase (Decrease) in Accrued Property Taxes	<u>192</u>	<u>162</u>
Total Adjustments	<u>111,847</u>	<u>191,164</u>
Net Cash Provided by Operating Activities	<u><u>\$ 179,638</u></u>	<u><u>\$ 74,498</u></u>

See Accompanying Notes to the Financial Statements.

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

B. Basic Financial Statements

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

C. Fund Accounting

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

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

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

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus

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

E. Cash Equivalents and Investments

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

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

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

F. Capital Assets

Property and infrastructure (railroad track and railroad ties) are recorded at cost, or fair market value is used when assets are acquired in a non-cash transaction, net of accumulated depreciation. Depreciation expense is provided using the MACRS life ranging from 7 to 20 years on the straight-line method. Maintenance and repairs are charged to expense and improvements are capitalized. Interest on funds used during construction, less interest earned on related investments, is capitalized as part of the cost of the asset.

G. Net Position

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

H. Operating Revenues and Expenses

Operating revenues consist primarily of fees for services and other miscellaneous income. Nonoperating revenues are revenues not meeting the definition of operating revenues and include interest and dividends from investment, unrealized gains, and realized gains on investments. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Operating Revenues and Expenses (Continued)

Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used of the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. The Authority did not have any non-exchange transactions this year.

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

I. Estimates

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

J. Budgetary Process

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

K. Subsequent Events

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority did not report any deferred outflows for 2017 or 2016.

In addition to liabilities, the Statement of Net Position may report deferred inflows of resources. Deferred inflows of resources represent acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority did not report any deferred inflows of resources for 2017 or 2016.

M. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Authority considers only the checking account balance as typically all cash equivalents are long term investments.

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

3. DEPOSITS AND INVESTMENTS

Deposits

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities described in division (1) or (2) or cash, or both cash and securities, equal value for equal value;
8. High grade commercial paper in an amount not to exceed up to five percent of the Authority's total portfolio;
9. Bankers' acceptances and commercial paper notes in an amount not to exceed two hundred and seventy days and in an amount not to exceed ten percent of the Authority's total average portfolio; and

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

10. Under limited circumstances, corporate debt interest rated in any of the three highest rating classifications by at least two nationally recognized rating agencies.

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

The carrying amount of the cash deposits held by the Authority at December 31, 2017 was \$3,772 and the bank balance was \$3,772. The carrying amount of the cash deposits held by the Authority at December 31, 2016 was \$3,837 and the bank balance was \$3,837. Federal depository insurance covered deposits.

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

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

2017:

	<u>Balance</u>	<u>Restricted</u>	<u>Unrestricted</u>
Old Fort Banking Company - Checking	\$3,772	\$ -	\$3,772

2016:

	<u>Balance</u>	<u>Restricted</u>	<u>Unrestricted</u>
Old Fort Banking Company - Checking	\$3,837	\$ -	\$3,837

Investments

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and investment in derivatives and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity.

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

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

		2017					
	Moody's Rating	Fair Value	Percentage	Investment Maturities (In Years)			
		Category 1	Held	Less than 1	1-3	3-5	More than 5
Croghan Colonial Bank-CD	N/A	\$ 97,035	3.0%	\$ -	\$ 97,035	\$ -	\$ -
Sutton State Bank-CD	N/A	38,742	1.2%	38,742	-	-	-
Fifth Third-CD	N/A	106,675	3.3%	-	106,675	-	-
Old Fort Banking Co.-CD	N/A	84,975	2.6%	-	84,975	-	-
Old Fort Banking Co.-CD	N/A	95,554	2.9%	-	95,554	-	-
1st Bank of Ohio-CD	N/A	110,979	3.4%	-	110,979	-	-
Total Category 1		533,960	16.3%	38,742	495,218	-	-
		Category 3					
Old Fort Banking Repurchased Agreement	N/A	257,392	7.9%	257,392	-	-	-

		2016					
	Moody's Rating	Fair Value	Percentage	Investment Maturities (In Years)			
		Category 1	Held	Less than 1	1-3	3-5	More than 5
Croghan Colonial Bank-CD	N/A	\$ 96,793	3.0%	\$ 96,793	\$ -	\$ -	\$ -
Sutton State Bank-CD	N/A	38,568	1.2%	-	38,568	-	-
Fifth Third-CD	N/A	105,562	3.2%	105,562	-	-	-
Old Fort Banking Co.-CD	N/A	95,172	2.9%	95,172	-	-	-
Old Fort Banking Co.-CD	N/A	84,005	2.6%	84,005	-	-	-
1st Bank of Ohio-CD	N/A	109,547	3.4%	109,547	-	-	-
Total Category 1		529,647	16.2%	491,079	38,568	-	-
		Category 3					
Old Fort Banking Repurchased Agreement	N/A	211,392	6.5%	211,392	-	-	-

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

	Moody's Rating	Fair Value Category 1	Percentage Held	2017 Investment Maturities (In Years)			
				less than 1	1-3	3-5	more than 5
Fifth Third Securities:							
Ally Bank CD	N/A	67,873	2.1%	67,873	-	-	-
Citicorp Mrtg Sec Series 2007	Caa3	6,737	0.2%	-	-	-	6,737
Capital One Bk USA Natl Assn	N/A	49,982	1.5%	49,982	-	-	-
Discover Bk Greenwood Del	N/A	56,813	1.7%	-	56,813	-	-
Federal National Mortgage Assn	B	382	0.0%	-	-	-	382
Federated Government Obligation Fund	N/A	4,912	0.2%	4,912	-	-	-
First Natioanl Bk CD	N/A	46,988	1.4%	46,988	-	-	-
FT Unit FT GNMA Reinvestment	N/A	373,602	11.4%	-	-	-	373,602
Government Natioanl Mtg Assn	N/A	18,652	0.6%	-	-	-	18,652
Goldman Sachs Bank CD	N/A	-	0.0%	-	-	-	-
Govt National Mortgage Assn	N/A	-	0.0%	-	-	-	-
HSBC Bank CD	N/A	27,944	0.9%	-	27,944	-	-
JP Morgan Chase Bank	N/A	10,996	0.3%	10,996	-	-	-
Synchrony Bk Retail CD	N/A	27,998	0.9%	-	-	-	-
Synchrony Bk Retail CD	N/A	20,006	0.6%	20,006	-	-	-
Synchrony Bk Retail CD	N/A	35,750	1.1%	-	-	35,750	-
Wells Fargo Bank	N/A	30,903	0.9%	30,903	-	-	-
Wells Fargo Bank	N/A	19,986	0.6%	19,986	-	-	-
Subtotal		799,524	24.5%	279,644	84,757	35,750	399,373
Huntington Private Financial:							
Huntington Treasury Money Market	N/A	881	0.0%	881	-	-	-
America Express Centurion Series CD	N/A	67,988	2.1%	67,988	-	-	-
America Express Centurion Series CD	N/A	-	0.0%	-	-	-	-
Beal Band Las Vegas, Nev. CD	N/A	-	0.0%	-	-	-	-
CitizensBank Providence, RI CD	N/A	225,973	6.9%	225,973	-	-	-
Discover Bank CD	N/A	57,979	1.8%	57,979	-	-	-
Everbank Jacksonville, Fla. CE	N/A	-	0.0%	-	-	-	-
Goldman Sachs Bank USA CD	N/A	50,988	1.6%	50,988	-	-	-
Goldman Sachs Bank USA CD	N/A	-	0.0%	-	-	-	-
HSBC Bank CD	N/A	-	0.0%	-	-	-	-
JPMorgan Chase Bank CD	N/A	67,626	2.1%	67,626	-	-	-
JPMorgan Chase Bank CD	N/A	65,971	2.0%	-	65,971	-	-
Level One Bank Farrmington Hill, CD	N/A	51,976	1.6%	51,976	-	-	-
Safra National Bank CD	N/A	18,998	0.6%	18,998	-	-	-
Wells Fargo Bank Natl Assn CD	N/A	49,913	1.5%	49,913	-	-	-
Wells Fargo Bank Natl Assn CD	N/A	135,392	4.1%	-	135,392	-	-
Welch State Bank CD	N/A	-	0.0%	-	-	-	-
Welch State Bank CD	N/A	104,070	3.2%	104,070	-	-	-
Subtotal	N/A	897,755	27.5%	696,392	201,363	-	-
KeyBanc Capital Markets:							
Ally Bank CD	N/A	76,878	2.4%	76,878	-	-	-
Ally Bank CD	N/A	-	0.0%	-	-	-	-
American Express Fed Svgs Bank CTF	N/A	-	0.0%	-	-	-	-
Bank India New York	N/A	220,949	6.8%	220,949	-	-	-
BMW Salt Lake City UT	N/A	94,822	2.9%	94,822	-	-	-
Capital One Bk USA Natl Assn Glen Allen	N/A	34,079	1.0%	-	34,079	-	-
Capital One Bk USA Natl Assn Glen Allen	N/A	90,544	2.8%	-	90,544	-	-
Capital One Bk USA Natl Assn Glen Allen	N/A	-	0.0%	-	-	-	-
Discover Bank Greenwood DE	N/A	63,893	2.0%	-	-	63,893	-
Discover Bank Greenwood DE	N/A	63,699	1.9%	-	-	63,699	-
Federal Natl Mtg Assn Fixed Rate	AAA	-	0.0%	-	-	-	-
Federated Money Market	N/A	2,616	0.1%	2,616	-	-	-
Goldman Sachs Bank CD	N/A	72,986	2.2%	72,986	-	-	-
Goldman Sachs Bank CD	N/A	59,806	1.8%	-	-	59,806	-
Synchrony Bank Retail CTF	N/A	73,997	2.3%	-	-	73,997	-
Z B N A Instl CTF DEP Program	N/A	-	0.0%	-	-	-	-
Subtotal		854,269	26.1%	468,251	124,623	261,395	-
Total Investments		\$ 3,342,900	100.0%	\$ 1,740,421	\$ 905,961	\$ 297,145	\$ 399,373

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

	Moody's Rating	2016					
		<u>Fair Value</u>	<u>Percentage</u>	<u>Investment Maturities (In Years)</u>			
		<u>Category 1</u>	<u>Held</u>	<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>	<u>more than 5</u>
Fifth Third Securities:							
Ally Bank CD	N/A	101,330	3.1%	33,073	68,257	-	-
Citicorp Mrtg Sec Series 2007	Caa1	9,070	0.3%	-	-	-	9,070
Capital One Bk USA Natl Assn	N/A	50,190	1.5%	50,190	-	-	-
Discover Bk Greenwood Del	N/A	54,018	1.7%	54,018	-	-	-
Everbank CD	N/A	-	0.0%	-	-	-	-
Federal National Mortgage Assn	B	466	0.0%	-	-	-	466
Federated Prime Val Obligation Fund	N/A	1,984	0.1%	1,984	-	-	-
FT Unit FT GNMA Reinvestment	N/A	380,751	11.7%	-	-	-	380,751
Goldman Sachs Bank CD	N/A	25,018	0.8%	25,018	-	-	-
Govt National Mortgage Assn	N/A	22,023	0.7%	-	-	-	22,023
Iberiabank Lafayette	N/A	-	0.0%	-	-	-	-
HSBC Bank CD	N/A	27,304	0.8%	-	27,304	-	-
JP Morgan Chase Bank	N/A	11,014	0.3%	-	11,014	-	-
Synchrony Bk Retail CD	N/A	56,410	1.7%	-	20,112	36,298	-
Wells Fargo Bank	N/A	50,939	1.6%	-	50,939	-	-
Subtotal		790,517	24.2%	164,283	177,626	36,298	412,310
Huntington Private Financial:							
Huntington Treasury Money Market	N/A	337	0.0%	337	-	-	-
Ally Bank CD	N/A	-	0.0%	-	-	-	-
Bank Baroda CD	N/A	-	0.0%	-	-	-	-
Beal Band Las Vegas, Nev. CD	N/A	50,938	1.6%	50,938	-	-	-
America Express Centurion Series CD	N/A	119,368	3.7%	51,100	68,268	-	-
Discover Bank CD	N/A	56,991	1.7%	56,991	-	-	-
Discover Bank CD	N/A	-	0.0%	-	-	-	-
Everbank Jacksonville, Fla. CE	N/A	71,955	2.2%	71,955	-	-	-
Federal Farmers Credit Bank	Aaa	-	0.0%	-	-	-	-
Goldman Sachs Bank USA CD	N/A	70,305	2.2%	19,002	51,303	-	-
HSBC Bank CD	N/A	95,034	2.9%	-	-	95,034	-
JPMorgan Chase Bank CD	N/A	133,789	4.1%	-	133,789	-	-
Synchrony Bk Retail CD	N/A	-	0.0%	-	-	-	-
Wells Fargo Bank Natl Assn Cd	N/A	49,812	1.5%	49,812	-	-	-
Welch State Bank CD	N/A	240,572	7.4%	-	240,572	-	-
Subtotal	N/A	889,101	27.2%	300,135	493,932	95,034	-
KeyBanc Capital Markets:							
Ally Bank CD	N/A	140,992	4.3%	64,141	76,851	-	-
American Express Fed Svcs Bank CTF	N/A	59,068	1.8%	59,068	-	-	-
BMW Salt Lake City UT	N/A	94,823	2.9%	94,823	-	-	-
Capital One Bk USA Natl Assn Glen Allen	N/A	184,512	5.6%	58,007	34,525	91,980	-
Discover Bk Greenwood Del CD	N/A	-	0.0%	-	-	-	-
Federal Natl Mtg Assn Fixed Rate	AAA	66,058	2.0%	66,058	-	-	-
Federated Money Market	N/A	4,426	0.1%	4,426	-	-	-
First Bank Puerto Rico, CD	Ba3	-	0.0%	-	-	-	-
Goldman Sachs Bank CD	N/A	73,171	2.2%	-	73,171	-	-
Goldman Sachs Bank CD	N/A	60,541	1.9%	-	-	60,541	-
Synchrony Bank Retail CTF	N/A	74,986	2.3%	-	-	74,986	-
Z B N A Instnl CTF DEP Program	N/A	87,652	2.7%	87,652	-	-	-
Subtotal		846,229	25.9%	434,175	184,547	227,507	-
Total Investments		\$ 3,266,886	100.0%	\$ 1,601,064	\$ 894,673	\$ 358,839	\$ 412,310

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

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

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

4. CAPITAL ASSETS

A summary of railroad property and equipment at December 31, 2017 and 2016, respectively, is as follows:

	Beginning Balance <u>12/31/2016</u>	Additions	Disposals	Ending Balance <u>12/31/2017</u>
Land	\$ 368,558	\$ -	\$ -	\$ 368,558
Railroad Track	3,615,718	-	-	3,615,718
Highway Crossing Signals	389,170	82,112	-	471,282
Equipment	24,015	-	-	24,015
Totals	<u>\$ 4,397,461</u>	<u>\$ 82,112</u>	<u>\$ -</u>	<u>\$ 4,479,573</u>
	Accumulated Depreciation <u>12/31/2016</u>	Depreciation	Disposals	Accumulated Depreciation <u>12/31/2017</u>
Railroad Track	\$ 2,648,863	\$ 118,130	\$ -	\$ 2,766,993
Highway Crossing Signals	142,405	18,220	-	160,625
Equipment	22,631	461	-	23,092
Totals	<u>2,813,899</u>	<u>136,811</u>	<u>-</u>	<u>2,950,710</u>
Net Book Value	<u>\$ 1,583,562</u>	<u>\$ (54,699)</u>	<u>\$ -</u>	<u>\$ 1,528,863</u>
	Beginning Balance <u>12/31/2015</u>	Additions	Disposals	Ending Balance <u>12/31/2016</u>
Land	\$ 368,558	\$ -	\$ -	\$ 368,558
Railroad Track	3,572,189	43,529	-	3,615,718
Highway Crossing Signals	389,170	-	-	389,170
Equipment	24,015	-	-	24,015
Totals	<u>\$ 4,353,932</u>	<u>\$ 43,529</u>	<u>\$ -</u>	<u>\$ 4,397,461</u>
	Accumulated Depreciation <u>12/31/2015</u>	Depreciation	Disposals	Accumulated Depreciation <u>12/31/2016</u>
Railroad Track	\$ 2,530,854	\$ 118,009	\$ -	\$ 2,648,863
Highway Crossing Signals	129,433	12,972	-	142,405
Equipment	22,170	461	-	22,631
Totals	<u>2,682,457</u>	<u>131,442</u>	<u>-</u>	<u>2,813,899</u>
Net Book Value	<u>\$ 1,671,475</u>	<u>\$ (87,913)</u>	<u>\$ -</u>	<u>\$ 1,583,562</u>

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. CAPITAL ASSETS (Continued)

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

5. LONG TERM DEBT

Non-interest revenue bonds were issued in 1990 pursuant to authorization of the Ohio Revised Code in the amount of \$1,117,000 to various shippers who use the railroad. The bonds proceeds were used to purchase 25.1 miles of railroad from Conrail on May 16, 1990. The outstanding debt at December 31, 2017 and 2016 totals \$574,000 and \$626,000.

In 2005, a bond of \$50,000 was issued to Northern Ohio and Western Railway replacing Sagamore National Corporation as operator. Northern Ohio and Western Railway's bond was surrendered as part of a new operating agreement that went into effect February 2005. Debt service requirements on each bond issue are secured by future revenue from shippers who will utilize the railroad to be financed. Debt service requirements are being kept in a Restricted for Debt Service account until the bonds come due through 2028 (See Note 6).

	Beginning Balance <u>12/31/2016</u>	Issued	Redeemed	Ending Balance <u>12/31/2017</u>	Due Within <u>One Year</u>
Revenue Bonds	\$ 626,000	\$ -	\$ 52,000	\$ 574,000	\$ 52,000
Total Long Term Debt	<u>\$ 626,000</u>	<u>\$ -</u>	<u>\$ 52,000</u>	<u>\$ 574,000</u>	<u>\$ 52,000</u>

	Beginning Balance <u>12/31/2015</u>	Issued	Redeemed	Ending Balance <u>12/31/2016</u>	Due Within <u>One Year</u>
Revenue Bonds	\$ 703,000	\$ -	\$ 77,000	\$ 626,000	\$ 52,000
Total Long Term Debt	<u>\$ 703,000</u>	<u>\$ -</u>	<u>\$ 77,000</u>	<u>\$ 626,000</u>	<u>\$ 52,000</u>

The annual requirements to amortize all bonded and loan debt outstanding as of December 31, 2017 and 2016:

Year	Shipper Bonds
Ending 12/31/2017	
2018	52,000
2019	52,000
2020	52,000
2021	52,000
2022	52,000
2023-2027	260,000
2028	54,000
Total Principal	<u>\$ 574,000</u>

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

5. LONG TERM DEBT (Continued)

Year Ending 12/31/2016	Shipper Bonds
2017	52,000
2018	52,000
2019	52,000
2020	52,000
2021	52,000
2022-2026	260,000
2027-2028	106,000
Total Principal	\$ 626,000

6. RESTRICTED FOR DEBT SERVICE

A restricted account has been established for future payment of revenue bonds. The restricted balance at December 31, 2017 and 2016 is \$311,906 and \$335,755, respectively. 2017 annual restriction requirement was \$28,151 and was calculated using the estimated interest income rate of 2.75 percent (\$8,348) plus an amount of \$19,803 that was calculated to pay off the bonds. 2016 annual restriction requirement was \$28,789 and was calculated using the estimated interest income rate of 2.75 percent (\$8,986) plus an amount of \$19,803 that was calculated to pay off the bonds.

7. RESTRICTED FOR MAINTENANCE

Both the shippers and the operator are charged a fee to offset repairs and replacement costs based on the number of cars shipped. The charge for the shippers is generally \$15 per car, but the “per car” amount may vary. The operator was charged \$7 per car. Repair and replacement expenses are closed to this restricted account at the end of the year. The balance in the Restricted for Maintenance account at December 31, 2017 and 2016 is \$544,255 and \$584,544.

8. OPERATOR

Northern Ohio and Western Railway is the current operator for the Authority. For the year ended December 31, 2017 and 2016, Northern Ohio and Western Railway accounted for approximately \$79,314 (30%) and \$67,397 (58%) respectively, of the Authority’s operating income. In June 2015, an extension of the operating agreement for ten years was entered for the period January 2016 until December 2025. The agreement can be extended for an additional ten-year term from January 2026 to December 2035 provided written notice has not been given by either party.

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

1-117	\$4,500
118-200	\$5,500
201-284	\$6,500
285-367	\$7,500
368-451	\$8,500
452 and over	\$9,500

In addition Northern Ohio and Western Railway is to pay \$7 per revenue car that is shipped for maintenance and repair and \$27 for each storage car. The maintenance and repair fee is required to be restricted in an interest bearing account.

SANDUSKY COUNTY-SENECA COUNTY-CITY OF TIFFIN
PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

9. RISK MANAGEMENT

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

The Authority does not have a "self-insurance" fund with formalized risk management programs. During 2017, the Authority purchased property, public official's liability, railroad liability, and bond policies from United Insurance Service.

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

10. CONDUIT DEBT

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

As of December 31, 2017 and 2016 there are no series of Revenue Bonds outstanding.

11. OUTSIDE CONTRACT

Presently the Authority does not have any employees or offices. Operations are handled by the Seneca Industrial and Economic Development Corporation who receives a monthly fee of \$1,484 based on an amended contract dated February 2015.

12. RELATED PART TRANSACTIONS

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



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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**

June 19, 2018

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

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Sandusky County-Seneca County-City of Tiffin Port Authority**, Seneca County, (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated June 19, 2018.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated June 19, 2018.

Purpose of this Report

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



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



Dave Yost • Auditor of State

SANDUSKY COUNTY-SENECA COUNTY- CITY OF TIFFIN PORT AUTHORITY

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST, 30 2018**