



Dave Yost • Auditor of State

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Columbiana County Port Authority
Columbiana County
1250 St. George Street
East Liverpool, Ohio 43920

To the Board of Directors:

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 Columbiana County Port Authority, Columbiana County, (the "Port Authority") as of and for the years ended December 31, 2016 and 2015.

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 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.

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

As described in Note 2 of the financial statements, the Port 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 Port 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 Port Authority as of December 31, 2016 and 2015, 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 Columbiana County Port Authority, Columbiana County as of December 31, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2017, 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

July 10, 2017

Columbiana County Port Authority
Columbiana County
Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Governmental Fund Types
For the Year Ended December 31, 2016

	<u>General</u>
Cash Receipts	
Income Rent	\$641,865
Income Utilities	190,148
Income Grants	50,966
Income Miscellaneous	78,962
Income Investments	20,749
<i>Total Cash Receipts</i>	<u>982,690</u>
Cash Disbursements	
Current:	
General Government	1,219,171
Capital Outlay	635,243
Debt Service:	
Principal Retirement	156,925
Interest and Fiscal Charges	115,436
<i>Total Cash Disbursements</i>	<u>2,126,775</u>
<i>Excess of Receipts (Under) Disbursements</i>	(1,144,085)
Other Financing Receipts	
Sale of Capital Assets	32,917
<i>Net Change in Fund Cash Balance</i>	-1,111,168
Fund Cash Balance, January 1	5,262,459
Fund Cash Balance, December 31	
Unassigned	4,151,291
<i>Fund Cash Balance, December 31</i>	<u>\$4,151,291</u>

See accompanying notes to the basic financial statements

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Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 1 – REPORTING ENTITY

The Columbiana County Port Authority (the “Port Authority”), Columbiana County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority is governed by a Board of Directors. Members of the Board are appointed by the Columbiana County Commissioners. The Port Authority provides the following services which are defined by Chapter 4582 of the Ohio Revised Code and which services include but are not limited to the power to purchase, construct, re-construct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

Columbiana County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Columbiana County maintains its own accounting functions, is a separate reporting Port Authority, and its financial activity is not included within the financial statements of the Port Authority.

The general office of the Port Authority is located within the City of East Liverpool. These entities maintain their own accounting functions, are separate reporting entities, and their financial activities are not included within the financial statements of the Port Authority.

The Port Authority is a self-sufficient enterprise, which does not receive funding from Columbiana County, the City of East Liverpool, or the East Liverpool City School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Port Authority’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Port Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting Port Authority with a self-balancing set of accounts. The funds of the Port Authority are presented below:

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

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Port Authority Governing Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when individual commitments are made. The Port Authority did not use the encumbrance method of accounting and did not issue purchase orders during 2016.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

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.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

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

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

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.

Committed Governing Board can *commit* amounts via formal action (resolution). The Port Authority must adhere to these commitments unless the Governing 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.

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 Port Authority Governing Board or a Port Authority official delegated that authority by resolution, or by State Statute.

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 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 - COMPLIANCE

Contrary to Ohio law, the Port Authority did not issue purchase orders during 2016. In addition, contrary to Ohio Revised Code § 5705.41(B), expenditures exceeded appropriations in the General Fund by \$788,775.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the Year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,313,000	\$1,015,607	(\$297,393)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,338,000	\$2,126,775	(\$788,775)

NOTE 5 – DEPOSITS AND INVESTMENTS

The Port 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:

Demand deposits	2016 \$1,042,899
Certificates of deposit	3,108,392
Total deposits	\$4,151,291

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Port Authority.

NOTE 6 - RISK MANAGEMENT

Commercial Insurance

The Port Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Port Authority is uninsured for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

NOTE 8 - POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

NOTE 9 – DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Farmers National Bank Loan	\$2,846,339	3.45%
Crane Loan	\$522,376	3.66%
Total	\$3,368,715	

Farmers National Bank Loan

In February of 2015, the Port Authority obtained a loan from Farmers National Bank to consolidate the Fifth Third Loan and the Rural Industrial loan. The total loan was \$3,007,000 at a fixed rate for the first three Year on the three year treasury constant maturity index plus 2.62%. The rate as of January 2015 would be 3.45%. The rate will adjust to 2.95% over the current three year treasury constant maturity index for the remainder of the term of the loan. The term will be five Year amortized over twenty; beginning August 15, 2015 semi-annual payments of principal and interest total \$105,158. The closing cost of this loan was \$59,064.

Crane Loan

In 2015 the Port Authority began a new project at the Port’s Intermodal Facility located in Wellsville, Ohio. The Project was to install a new Conveyor system and to purchase a new Mantsinen 120EF material handling crane which would assist in providing efficient transportation of raw materials to barges on the Ohio River System. The total cost of the project \$5,100,000 with \$3,500,000 provided by the State via Logistic & Distribution Loan. The remaining balance will be paid by the Port Authority.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 9 – DEBT (Continued)

The purchase price of the Crane was \$1,366,091 with a required down payment of \$800,000 which was made in 2015. The Port Authority then entered into a Lease with TCF Equipment for the balance of \$566,091. The term of the lease is for 120 months with fixed rate of 3.49%. Monthly payments of \$5,640 began in February 2016.

On of June 20, 2016, the Ohio Development Services Agency forgave a loan in the amount of \$3,500,000 due to the Port Authority meeting certain conditions.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Farmers National Bank Loan	Crane Loan
2017	\$210,317	\$67,684
2018	210,317	67,685
2019	210,317	67,684
2020	210,317	67,685
2021	210,317	67,684
2022-2026	1,051,585	276,378
2027-2031	1,051,585	
2032-2035	736,109	
Total	<u>\$3,890,864</u>	<u>\$614,800</u>

NOTE 10 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Port Authority are subject to audit and adjustment by the grantor. The Port Authority did not meet the terms of a grant awarded by the Ohio Development Services Agency back in 2012, and as a result, have to re-pay the grant in full. The first payment of \$50,000 was made in 2016, and the Port Authority will pay two payments of \$49,000 in 2017 and 2018, respectively.

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

	<u>General</u>
Cash Receipts	
Income Rent	\$2,052,980
Income Utilities	231,614
Income Grants	57,500
Income Miscellaneous	197,687
Income Investments	2,447
	<u>2,542,228</u>
<i>Total Cash Receipts</i>	<u>2,542,228</u>
Cash Disbursements	
Current:	
General Government	2,000,559
Capital Outlay	4,301,135
Debt Service:	
Principal Retirement	2,742,999
Interest and Fiscal Charges	53,522
	<u>9,098,215</u>
<i>Total Cash Disbursements</i>	<u>9,098,215</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(6,555,987)</u>
Other Financing Receipts	
Sale of Capital Assets	2,436,600
Proceeds of Debt	3,573,091
	<u>6,009,691</u>
<i>Total Other Financing Receipts</i>	<u>6,009,691</u>
<i>Net Change in Fund Cash Balance</i>	(546,296)
<i>Fund Cash Balance January 1</i>	<u>5,808,755</u>
Fund Cash Balance, December 31	
Unassigned	<u>5,262,459</u>
<i>Fund Cash Balance, December 31</i>	<u>\$5,262,459</u>

See accompanying notes to the basic financial statements

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Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 1 – REPORTING ENTITY

The Columbiana County Port Authority (the “Port Authority”), Columbiana County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority is governed by a Board of Directors. Members of the Board are appointed by the Columbiana County Commissioners. The Port Authority provides the following services which are defined by Chapter 4582 of the Ohio Revised Code and which services include but are not limited to the power to purchase, construct, re-construct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

Columbiana County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Columbiana County maintains its own accounting functions, is a separate reporting Port Authority, and its financial activity is not included within the financial statements of the Port Authority.

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The Port Authority is a self-sufficient enterprise, which does not receive funding from Columbiana County, the City of East Liverpool, or the East Liverpool City School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Port Authority’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Port Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting Port Authority with a self-balancing set of accounts. The funds of the Port Authority are presented below:

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

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Port Authority Governing Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when individual commitments are made. The Port Authority did not use the encumbrance method of accounting and did not issue purchase orders during 2015.

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

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.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

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

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

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.

Committed Governing Board can *commit* amounts via formal action (resolution). The Port Authority must adhere to these commitments unless the Governing 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.

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 Port Authority Governing Board or a Port Authority official delegated that authority by resolution, or by State Statute.

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 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 - COMPLIANCE

Contrary to Ohio law, the Port Authority did not issue purchase orders during 2015. In addition, contrary to Ohio Revised Code §5705.41(B), expenditures exceeded appropriations in the General Fund by \$4,530,072.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,776,879	\$8,551,919	\$3,775,040

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,568,143	\$9,098,215	(\$4,530,072)

NOTE 5 – DEPOSITS AND INVESTMENTS

The Port 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
Demand deposits	\$1,483,611
Certificates of deposit	3,778,848
Total deposits	\$5,262,459

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Port Authority.

NOTE 6 - RISK MANAGEMENT

Commercial Insurance

The Port Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Port Authority is uninsured for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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.

NOTE 8 - POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

NOTE 9 – DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Farmers National Bank Loan	\$2,954,001	3.45%
Crane Loan	\$566,091	3.66%
Total	\$3,520,092	

Farmers National Bank Loan

In February of 2015, the Port Authority obtained a loan from Farmers National Bank to consolidate the Fifth Third Loan and the Rural Industrial loan. The total loan was \$3,007,000 at a fixed rate for the first three year on the three year treasury constant maturity index plus 2.62%. The rate as of January 2015 would be 3.45%. The rate will adjust to 2.95% over the current three year treasury constant maturity index for the remainder of the term of the loan. The term will be five year amortized over twenty; beginning August 15, 2015 semi-annual payments of principal and interest total \$105,158. The closing cost of this loan was \$59,064.

Crane Loan

In 2015 the Port Authority began a new project at the Port’s Intermodal Facility located in Wellsville, Ohio. The Project was to install a new Conveyor system and to purchase a new Mantsinen 120EF material handling crane which would assist in providing efficient transportation of raw materials to barges on the Ohio River System. The total cost of the project \$5,100,000 with \$3,500,000 provided by the State via Logistic & Distribution Loan. The remaining balance will be paid by the Port Authority.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 9 – DEBT (Continued)

The purchase price of the Crane was \$1,366,091 with a required down payment of \$800,000 which was made in 2015. The Port Authority then entered into a Lease with TCF Equipment for the balance of \$566,091. The term of the lease is for 120 months with fixed rate of 3.49%. Monthly payments of \$5,640 began in February 2016.

On of June 20, 2016, the Ohio Development Services Agency forgave a loan in the amount of \$3,500,000 due to the Port Authority meeting certain conditions.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Farmers	
	National Bank Loan	Crane Loan
2016	\$210,317	\$43,714
2017	210,317	67,684
2018	210,317	67,685
2019	210,317	67,684
2020	210,317	67,685
2021-2025	1,051,585	387,776
2026-2030	1,051,585	
2031-2035	946,426	
Total	\$4,101,181	\$702,228

NOTE 10 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Port Authority are subject to audit and adjustment by the grantor. The Port Authority did not meet the terms of a grant awarded by the Ohio Development Services Agency back in 2012, and as a result, have to re-pay the grant in full. The first payment of \$50,000 was made in 2016, and the Port Authority will make the final two payments of \$49,000 each in 2017 and 2018, respectively.



Dave Yost • Auditor of State

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

Columbiana County Port Authority
Columbiana County
1250 St. George Street
East Liverpool, Ohio 43920

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 cash balances, receipts and disbursements by fund type of Columbiana County Port Authority, Columbiana County, (the "Port Authority") as of and for the years ended December 31, 2016 and 2015, 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 July 10, 2017, wherein we noted the Port 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 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 opinions 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 2016-003 and 2016-004 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. 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

Entity's Response to Findings

The Port Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Port Authority's responses and, accordingly, we express no opinion on them.

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 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

July 10, 2017

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance and Finding for Recovery – Repaid Under Audit

Ohio Attorney General Opinion No. 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of State ex rel. *McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex rel. Village of *Linndale v. Masten* , 18 Ohio St. 3d 228 (1985).

On April 20, 2016 and June 9, 2016, the Columbiana County Port Authority paid for dinners for the Chief Executive Officer and the Manager of Finance and Administration which included the purchase of alcoholic beverages totaling \$54.

In accordance with the foregoing facts and authorities, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money that has been illegally expended for the purchases of alcohol is hereby issued against Penny Traina, Chief Executive Officer, and Diane Ksiazek, Manager of Administration and Finance, in the amount of \$54 and in favor of the Columbiana County Port Authority's General Fund.

On February 14, 2017, the Chief Executive Officer remitted a money order in the amount of \$54 for reimbursement of the alcohol purchases. The Finding for Recovery issued against Penny Traina and Diane Ksiazek is deemed repaid and resolved.

Officials’ Response:

There are approximately 60 Port Authorities in the State of Ohio; Columbiana County Port Authority is unique because they are one of the only Port Authorities in the state that is completely independent and financially self-sufficient. All revenue is generated by rental income on property owned by the port authority. The Columbiana County Port Authority receives NO state or federal tax payer’s dollars (public funds) for the operations of the port authority.

The Port Authority passed resolution 31-05 on October 17, 2005 amending the Business Travel Expense Policy. The policy establishes the steps required for reimbursement of allowable business related expenses. Reasonable expenses may be incurred as long as the expense is reviewed by the Fiscal Officer.

**FINDING NUMBER 2016-001
(Continued)**

Officials' Response:

In the event the Fiscal Officer questions the incurred expense, then the matter is referred to the Executive Committee to determine if the expense is reasonable or not. They then shall direct that all or a portion of such expense be reimbursed to the port authority. The port policy does not define guidelines for what constitutes reasonable expense because reasonableness of an expense depends upon many relevant factors including the business purpose of the event and its attendees. One of the purposes of the port is to support commerce and job growth in the state, county, and region.

Therefore it is our belief that we were in compliance according to the board approved Business Expense Policy. We will take the suggestion from the Audit Team and formalize a legal opinion for business related expenses that will allow the port to promote commerce and business utilizing the revenue funds that are generated from rental income.

FINDING NUMBER 2016-002

Noncompliance – Expenses Exceeded Appropriations

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

At December 31, 2016 and 2015, expenses exceeded appropriations in the General Fund by \$788,775 (37%) and \$4,530,072 (50%), respectively.

This is due to the annual budget not including all expense line items which are included in the financial statements (i.e. principal retirement, capital outlay, etc) which led to the Board of Directors not having adequate and updated information to base budgetary decisions upon. This could also result in overspending and a negative fund balance.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. In addition, the Fiscal Officer should request the Board of Directors to approve increased disbursement levels by increasing appropriations in the minutes and amending estimated resources, if necessary and available. Finally, the budget should be prepared to include all line items which are presented on the financial statements.

Officials' Response:

The Columbiana County Port Authority has been utilizing the same accounting processes since 1997. Current management is in the process of implementing sound accounting practices to include appropriate measures for budgetary purposes.

FINDING NUMBER 2016-003

Material Weakness – Posting of Receipts and Expenses

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer did not correctly post receipts and disbursements. This was attributed to the Fiscal Officer not abiding by the adopted chart of accounts or the Auditor of State Port Authority financial statement shell and the lack of procedures to help ensure accurate postings. The Port Authority Fiscal Officer has agreed to the following adjustments, which are reflected in the accompanying financial statements:

**FINDING NUMBER 2016-003
 (Continued)**

2016:

Fund	Account Type	Amount	Description
Adjustment:			
General	Sale of Capital Assets and General Government Expenses	\$283,683	To record actual cash payments received and actual cash expenses related to the sale of a capital asset.

2015:

Fund	Account Type	Amount	Description
Adjustments:			
General	Principal Retirement and Loan Proceeds	\$53,344	To adjust the financial statements for an entry posted twice to the accounting system.
General	Sale of Capital Assets and General Government Expenses	36,600	To record actual cash received and cash payments for the sale of a capital asset.
Reclassification:			
General	Capital Outlay Debt Principal Payment	17,763	To reclassify the purchase of land posted as principal retirement instead of capital outlay.

Other mispostings were identified, however, amounts were not material to the financial statements and no adjustments were required.

The Fiscal Officer should maintain the accounting system to enable the Port Authority to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the chart of accounts to help ensure that financial activity of the Port Authority is accurately recorded and reported.

Officials' Response:

The Columbiana County Port Authority has been utilizing the same accounting processes since 1997. In 2018, the Port will implement the Uniform Accounting Network System (UAN) financial software provided by the Auditor of State. This will allow the Port Authority to accurately maintain the accounting system using sound accounting practices so that the financial statements and notes are presented in accordance with standards.

FINDING NUMBER 2016-004

Material Weakness – Posting of Authorized Budgetary Measures

Sound accounting practices require accurately posting appropriations to the ledgers to provide information for budget versus actual comparison and to allow the board of directors to make informed decisions regarding budgetary matters.

The Port Authority did not have procedures in place to accurately post authorized budgetary measures to the accounting ledgers in 2016 and 2015. The following variances were identified:

2016:

Fund	Appropriations Approved by the Board	Appropriations Posted to Accounting System	Variance
General:			
Auto Expense	\$5,000	\$1,000	\$4,000
Cleaning	0	5,000	5,000
Contracted Labor	17,300	12,300	5,000
Equipment Rental	1,000	3,616	2,384

In addition, final budgeted revenues of \$1,313,000 were \$16,750 more than the amount posted to the accounting system.

2015:

Appropriations approved by the Board were \$2,750,000 greater than the amount recorded in the accounting system, as a new line item budget created by the Authority was not included in the accounting system.

When authorized budgetary measures are not accurately posted to the ledgers, the budget versus actual information generated by the Port Authority's accounting system is not an accurate reflection of the intentions of the Board of Directors.

Officials' Response:

The Columbiana County Port Authority has been utilizing the same accounting processes since 1997. In 2018, the Port will implement the Uniform Accounting Network System (UAN) financial software provided by the Auditor of State. This will allow the Port Authority to accurately maintain the accounting system using sound accounting practices so that the financial statements and notes are presented in accordance with standards

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	The Port Authority's Financial Statements and Notes Were Not Presented in Accordance with Standards.	Partially Corrected	The Port is in the process of implementing the Uniform Accounting System through the Auditor of State

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COLUMBIANA PORT AUTHORITY

COLUMBIANA 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 22, 2017**