



Dave Yost • Auditor of State

**SOUTHERN OHIO PORT AUTHORITY
SCIOTO COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Southern Ohio Port Authority
Scioto County
P.O. Box 544
Chillicothe, Ohio 45662

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of the Southern Ohio Port Authority, Scioto County, Ohio (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 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 that we plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about the 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 considered internal control relevant to the Port Authority's preparation and fair presentation of the financial statements in order to design appropriate audit procedures, but not to the extent needed to opine on the effectiveness of the Port Authority'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 the overall financial statement presentation.

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

Basis for Qualified Opinion

Management has not adopted a methodology for calculating and reporting net pension liability. Accounting principles generally accepted in the United States of America require that net pension liability be reported, which would affect deferred outflows of resources, net pension liability, deferred inflows of resources equity, PERS employer contribution expense, and note disclosure. We cannot reasonably determine the amount by which this departure would affect the deferred inflows of resources, deferred outflows of resources, net pension liability, equity, PERS employer contribution expense, and note disclosure of the Port Authority. Also, the statement of cash flows presented by the Port Authority did not include the components required by accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph the financial statements referred to above present fairly, in all material respects, the respective financial position of the Southern Ohio Port Authority, Scioto County, Ohio, as of December 31, 2016 and 2015 and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Port Authority will continue as a going concern. As discussed in Notes 11 and 13 to the financial statements, during 2017 the Port Authority received no funding from Scioto County. Also, in September 2017, the Port Authority Board authorized at the request of those who originally donated to the Port Authority: the transfer of \$75,000 to a local foundation; and the return of \$25,000 to the donor. In 2017, Scioto County called the loan payable of \$95,234. Finally in 2017, the executive director and several board members have resigned. These items raise substantial doubt about the Port Authority's ability to continue as a going concern. Management's plans to address these matters are disclosed in Note 13. The financial statements do not include any adjustments that might result from the outcome of these matters. We did not modify our opinion regarding these matters.

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*, and schedules of net pension liabilities and pension contributions. 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; however, the Port Authority did not include the required *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions as supplementary information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2018, 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.

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

March 1, 2018

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Southern Ohio Port Authority

Statement of Net Position

As of December 31, 2016

	Total
ASSETS	
Current Assets	
Bank Accounts	
American Savings Checking	
Private Funds	37,761.75
Public Funds	94,929.43
Total American Savings Checking	132,691.18
DESCO Checking-Private funds	74,742.56
Total Bank Accounts	207,433.74
Accounts Receivable	8,516.81
Other Assets	
American Saving Bank-Bill Payer	225.23
Property for Resale	1,178,690.00
Vendor Credits	160.00
Total Other Assets	1,179,075.23
TOTAL ASSETS	\$1,395,025.78
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	2,912.72
Credit Cards	1,469.44
Payroll Liabilities	4,373.36
Total Current Liabilities	8,755.52
Long-Term Liabilities	
Loan Payable - Scioto County	95,234.27
Total Liabilities	103,989.79
Equity	
Invested in Capital Assets, Net of Related Debt	1,083,455.73
Unrestricted Net Assets	207,580.26
Net Position	1,291,035.99
TOTAL LIABILITIES AND EQUITY	\$1,395,025.78

See accompanying notes to the basic financial statements

Southern Ohio Port Authority

Statement of Revenues, Expenses and change in Net Position

January - December 2016

	Total
REVENUES	
Cell Tower Rent	59.51
Government Contributions	175,000.00
Non-Profit Contributions	50,000.00
Individual and Corporate Contributions	79,350.00
Rental Income	1,200.00
Total Revenues	305,609.51
EXPENSES	
Employee Costs	
Employee Wages	
Asset Manager Salary	35,320.00
Executive Director Salary	74,999.92
Total Employee Wages	110,319.92
Payroll Taxes	2,906.35
PERS Employer Contribution	15,444.88
Total Employee Costs	128,671.15
Marketing`	7,846.81
Professional Fees	46,165.09
Property Management	1,705.90
Registration Fees & Dues	13,419.00
Rent	6,390.00
Service Fees - Bank	187.45
Special Projects	116,345.09
Supplies & Fees	5,306.83
Travel	16,534.30
Utilities	725.00
Total Expenses	343,296.62
EXPENSES IN EXCESS OF REVENUES	-37,687.11
OTHER INCOME AND EXPENSES	
Interest Income	94.84
Property Sales	68,858.79
Interest Expense	-1.60
Net Other Income and Expenses	68,952.03
NET REVENUES IN EXCESS OF EXPENSES	31,264.92
Net Position-beginning	1,259,771.07
NET POSITION-ENDING	\$1,291,035.99

See accompanying notes to the basic financial statements

Southern Ohio Port Authority

Statement of Cash Flows

January - December 2016

	Total
OPERATING ACTIVITIES	
Net Income	31,264.92
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Accounts Receivable	106.27
American Saving Bank-Bill Payer	-225.23
Vendor Credits	-160.00
Accounts Payable	-23,974.89
Credit Cards	-1,130.62
Accrued Real Estate Taxes	-2,759.54
Payroll Liabilities	-1,540.64
Cost of Property Sold	80,380.00
Settlement-J&H Construction Company dispute	-5,723.55
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	44,971.80
NET CASH INCREASE FOR PERIOD	76,236.72
CASH AT BEGINNING OF PERIOD	131,197.02
CASH AT END OF PERIOD	\$207,433.74

See accompanying notes to the basic financial statements

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Southern Ohio Port Authority

Notes to the financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Southern Ohio Port Authority (the Port Authority) is presented to assist in understanding the Port Authority's financial statements. The financial statements and notes are representations of the Port Authority's management and board who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles for governmental agencies including those principles prescribed by the Governmental Accounting Standard Board (GASB), the American Institute of Certified Public Accountants in the Publication entitled Audits of States, Local Governments, and Not-For-Profit Organizations Receiving Federal Awards and by the Financial Accounting Standards Board (FASB), when applicable. The above policies have been consistently applied in the preparation of the financial statements.

A. Reporting Entity

The Southern Ohio Port Authority, Scioto County, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Section 4582.02 of the Ohio Revised Code. The Port Authority is governed by a nineteen member Board of Directors. Members of the Board are appointed by the Scioto County Commissioners. The purpose of the Port Authority is to be involved in the activities that enhance, foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Scioto County. The Port Authority is statutorily created as a separate and distinct political subdivision of the State. The Authority is governed by a nine member Board of Trustees appointed by the Scioto County Commissioners. Scioto 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. Scioto County maintains its own accounting functions, is a separate reporting entity, and its financial activity is not included within the financial statements of the Port Authority. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Port Authority consists of its general operation fund. Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization's governing board and (1) the Port Authority is able to significantly influence the programs or services performed or provided by the organizations, or (2) the Port Authority is legally entitled to or can otherwise access the organization's resources; the Port Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits or to provide financial support to the organizations; or the Port Authority is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the Port Authority if the Port Authority approves the budget, the issuance of debt, or the levying of taxes. The Port Authority has no component units. The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed on September 22, 1983.

B. Basis of Accounting

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body of establishing governmental accounting and financial reporting principles. The Port Authority's financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows. The Port Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows. An Enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resource measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the Statement of Net Position. The Statement of

Southern Ohio Port Authority

Revenues, Expenses, and Changes in Fund Net Position present increases (i.e, revenues) and decreases (i.e, expenses) in net total position. The statement of cash flows provides information about how the Port Authority finances and meets the cash flow needs of its enterprise activity.

D. Fund Accounting

The Port Authority maintains an Enterprise Fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the Port Authority. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

E. Budgetary Process

Ohio Revised Code Section 4582.13 requires the Port Authority to annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

F. Cash, Cash Equivalents and Investments

The Ohio Revised Code prescribes allowable deposits and investments. For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments would be reported at fair value, which is based on quoted market prices.

G. Capital Assets

Capital assets utilized by the Port Authority are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are reported at their fair market values as of the date received. The Port Authority maintains a capitalization threshold of five thousand dollars. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life or not. The Port Authority only owns land and as such, they have no established useful lives or depreciation method.

H. Net Position

Net position represents the difference between assets and liabilities. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The Port Authority did not have any restricted net position for 2016.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Port Authority, these revenues are rental income, contributions received from public and private donors, and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority.

J. Estimates

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

NOTE 2 – CASH

Active deposits are public deposits necessary to meet current demands on the Treasury. Such monies must be maintained either as cash in the Port Authority 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

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public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits represent interim monies that 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 account including passbook accounts. Interim monies can be deposited or invested in the following securities:

1. Notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in item (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio)
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Entity's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Authority's average portfolio.

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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Investments 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 may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

NOTE 3 - DEPOSITS:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Port Authority's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. At year-end 2016 the carrying amount of the Port Authority's deposits was \$207,433.74 which was covered by federal depository insurance.

NOTE 4 – CAPITAL ASSETS/PROPERTY HELD FOR RESALE

Capital assets activity for the fiscal year ended December 31, 2016 was as follows:

	Balance			Balance
	At	Deletions	Adjustments	At
	<u>12/31/2015</u>	<u> </u>	<u> </u>	<u>12/31/2016</u>
Land held for resale	\$1,259,070	(\$80,380)		\$1,178,690

NOTE 5 - NOTES PAYABLE

The Port Authority did not have any changes in notes payable in 2016:

Balance at 12/31/2016 Scioto County \$95,234

Scioto County note is secured by real estate and payment is due on demand of sale of real estate

To assist private sector in acquiring and constructing facilities deemed to be in the public interest, the Port authority issued \$10 million in industrial revenue bonds on May 8, 2008. Mortgages on the facilities secure the bonds. The bonds are payable solely from payments received on the underlying mortgage loans. The Port Authority, the State nor any other political subdivision is obligated in any manner for paying the bonds, which are not reflected in the debt schedule above.

NOTE 6 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan– a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details. The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

Southern Ohio Port Authority

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund postretirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to healthcare for members in the Traditional and Combined Plans was 2.0% for calendar year 2016. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Port Authority's contributions for health care to the OPERS for the year ending December 31, 2016, was \$1,400, which was equal to the required contributions for each year. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Port Authority owes \$95,234 to Scioto County at December 31, 2015. The Port Authority is a related organization of Scioto County.

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Port Authority's primary assets consist of land, buildings, rail facilities and river dock located in Portsmouth, Ohio. The Port Authority's primary source of income was contributions. The purpose of The Port Authority's sale of industrial property is to promote the creation of industrial related jobs in Scioto County and property sales are typically made at below cost. The Port Authority has been totally dependent on outside contributions for its continued existence

NOTE 9 – CONTINGENCIES

Environmental: The Port Authority has no known outstanding environmental issues as of the date of this report. The Port Authority has an agreement with Ohio EPA in which the Port Authority performs environmental inspections and corrects resulting problems on Brownfield property at the time title is transferred to a prospective buyer in return for the Ohio EPA's covenant not to sue and becoming a part of the deed transferred to the buyer.

NOTE 10 – RISK MANAGEMENT

The Port Authority is included in Scioto County's County Risk Sharing Authority Joint Self Insurance Pool formed under Ohio Revised Code Section 2744. It provided for the following: comprehensive property and general liability coverage Vehicles; and Errors and omissions. During 2016, the Port Authority did not pay for any losses that exceed insurance coverage. There were also no significant changes in coverage over the past three years.

NOTE 11 – SUBSEQUENT EVENT

In September 2017, the Port Authority Board authorized at the request of those who originally donated to the Port Authority: the transfer of \$75,000 to a local foundation; and the return of \$25,000 to the donor. Also, during the course of the audit, the Scioto County Commissioners called the Debt in the amount of \$95,234 owed to them by the Southern Ohio

Southern Ohio Port Authority

Port Authority. The Scioto County Commissioners to date had not given any funds to the Port Authority in fiscal year 2017. No promise of future funding was given nor was an invoice submitted to Scioto County SOPA requesting such funding. The Portsmouth City government cancelled a contract with SOPA after the resignation of its City Manager. In continuance, the Scioto County Commissioners declared that the County Economic Development department would be handling representation of economic development matters and that SOPA would perform their primary duties as a bonding and land transfer agent for the County. As part of this designation, SOPA was encouraged to fulfill all other contracts they had, including representing the City of Portsmouth.

NOTE 12 – CONDUIT DEBT OBLIGATIONS

In order to provide financial assistance to private sector entities for the acquisition and construction of commercial and industrial facilities deemed to be in the public interest, the Port Authority, has from time to time, issued conduit debt. This debt is secured by the property financed and is payable solely from payments received on the underlying mortgage loans. Ownership of the acquired facilities transfers to the private sector entity served by the bond issuance upon repayment of the bonds. The Port Authority, the State, nor any other political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the conduit debt is not reported as liabilities in the accompanying financial Statements.

As of December 31, 2016, there is one conduit debt outstanding, that was originally filed for \$10,000,000. The Educational Facilities Development Revenue Bond is still outstanding, but is currently being paid by the Clark Foundation.

NOTE 13 - GOING CONCERN

As far as debt resolution and plans to repay the debt; the Scioto County Commissioners have agreed to a plan by which SOPA will make annual payments to the county of a mutually agreed upon amount until the debt is repaid. This plan should be in place by March 1, 2018. The SOPA also has a current project (PureCycle Technologies) which will garner approximately \$30,000 per year. In addition SOPA plans to solicit operating funds from several local and regional entities to sustain operations. SOPA has no other long term outstanding debts and our account balances are strong.

Southern Ohio Port Authority

Statement of Net Position

As of December 31, 2015

	Total
ASSETS	
Current Assets	
Bank Accounts	
American Savings Checking	
Private Funds	91,406.96
Public Funds	37,495.00
Total American Savings Checking	128,901.96
American Savings Grant ABC	50.00
Desco Federal Credit Union Checking	2,245.06
Total Bank Accounts	131,197.02
Accounts Receivable	8,623.08
Other assets	
Loan Receivable	123,999.50
Property for Resale	1,259,070.00
Total Other Assets	1,383,069.50
TOTAL ASSETS	\$1,522,889.60
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	26,887.61
Credit Cards	2,600.06
Other Current Liabilities	
Accrued Real Estate Taxes	2,759.54
Payroll Liabilities	5,914.00
Total Other Current Liabilities	8,673.54
Total Current Liabilities	38,161.21
Long-Term Liabilities	
Amount due J&H Construction	129,723.05
Loan Payable - Scioto County	95,234.27
Total Long-Term Liabilities	224,957.32
Total Liabilities	263,118.53
Equity	
Invested in Capital Assets, Net of Related Debt	1,163,835.73
Unrestricted Net Assets	95,935.34
Net Position	1,259,771.07
TOTAL LIABILITIES AND EQUITY	\$1,522,889.60

See accompanying notes to the basic financial statements

Southern Ohio Port Authority

Statement of Revenues, Expenses and change in Net Position

January - December 2015

	Total
REVENUES	
Cell Tower Rent	5,475.12
Government Contributions	137,162.94
Individual and Corporate Contributions	297,411.00
Total Revenues	\$440,049.06
EXPENSES	
Administrative Supplies & Materials	11,050.94
Advertising / Publications	4,727.60
Employee Costs	
Employee Wages	
Asset Manager Salary	35,192.45
Executive Director Salary	74,500.58
Total Employee Wages	109,693.03
Payroll Taxes	3,383.67
PERS Employer Contribution	15,357.03
Total Employee Costs	128,433.73
Professional Fees	234,620.23
Property Management	9,841.0
Registration Fees & Dues	11,760.13
Rent	6,990.00
Service Fees - Bank	15.12
Special Project GIS System - Scioto County	25,000.00
Supplies & Fees	3,041.77
Travel	14,421.93
Utilities	91.05
Total Expenses	449,993.56
EXPENSES IN EXCESS OF REVENUES	-9,944.50
OTHER INCOME	
Audit Recovery	269.00
Interest Income	93.84
Property Sales	96,484.33
Total Other Income	96,847.17
TOTAL REVENUES IN EXCESS OF EXPENSES	86,902.67
Net Position-beginning	1,172,868.40
NET POSITION-ENDING	\$1,259,771.07

See accompanying notes to the basic financial statements

Southern Ohio Port Authority

Statement of Cash Flows

January - December 2015

	Total
<hr/>	
OPERATING ACTIVITIES	
Expenses in excess of Revenues	86,902.67
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Accounts Receivable	-8,623.08
Accounts Payable	16,367.61
Credit Card	2,600.06
Accrued Real Estate Taxes	2,759.54
Payroll Liabilities	2,309.04
Non-Cash Contributions	-87,376.00
Property purchase for Resale	-4,800.00
Total Adjustments to reconcile Change in Net Position to Net Cash provided by operations:	-76,742.83
NET CASH INCREASE FOR PERIOD	10,159.84
CASH AT BEGINNING OF PERIOD	121,037.18
CASH AT END OF PERIOD	\$131,197.02
<hr/>	

See accompanying notes to the basic financial statements

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Southern Ohio Port Authority

Notes to the financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Southern Ohio Port Authority (the Port Authority) is presented to assist in understanding the Port Authority's financial statements. The financial statements and notes are representations of the Port Authority's management and board who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles for governmental agencies including those principle prescribed by the Governmental Accounting Standard Board (GASB), the American Institute of Certified Public Accountants in the Publication entitled Audits of States, Local Governments, and Not-For-Profit Organizations Receiving Federal Awards and by the Financial Accounting Standards Board (FASB), when applicable. The above policies have been consistently applied in the preparation of the financial statements.

A. Reporting Entity

The Southern Ohio Port Authority, Scioto County, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Section 4582.02 of the Ohio Revised Code. The Port Authority is governed by a nineteen member Board of Directors. Members of the Board are appointed by the Scioto County Commissioners. The purpose of the Port Authority is to be involved in the activities that enhance foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Scioto County. The Port Authority is statutorily created as a separate and distinct political subdivision of the State. The Authority is governed by a nine member Board of Trustees appointed by the Scioto County Commissioners. Scioto 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. Scioto County maintains its own accounting functions, is a separate reporting entity, and its financial activity is not included within the financial statements of the Port Authority. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Port Authority consists of its general operation fund. Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization's governing board and (1) the Port Authority is able to significantly influence the programs or services performed or provided by the organizations, or (2) the Port Authority is legally entitled to or can otherwise access the organization's resources; the Port Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits or to provide financial support to the organizations; or the Port Authority is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent of the Port Authority if the Port Authority approves the budget, the issuance of debt, or the levying of taxes. The Port Authority has no component units. The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed on September 22, 1983.

B. Basis of Accounting

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body of establishing governmental accounting and financial reporting principles. The Port Authority's financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows. The Port

Southern Ohio Port Authority

Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows. An Enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resource measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (i.e, revenues) and decreases (i.e, expenses) in net total position. The statement of cash flows provides information about how the Port Authority finances and meets the cash flow needs of its enterprise activity.

D. Fund Accounting

The Port Authority maintains an Enterprise Fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the Port Authority. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

E. Budgetary Process

Ohio Revised Code Section 4582.13 requires the Port Authority to annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

F. Cash, Cash Equivalents and Investments

The Ohio Revised Code prescribes allowable deposits and investments. For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments would be reported at fair value, which is based on quoted market prices.

G. Capital Assets

Capital assets utilized by the Port Authority are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are reported at their fair market values as of the date received. The Port Authority maintains a capitalization threshold of five thousand dollars. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life or not. The Port Authority only owns land and as such, they have no established useful lives or depreciation method.

H. Net Position

Net position represents the difference between assets and liabilities. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of

Southern Ohio Port Authority

other governments. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The Port Authority did not have any restricted net position for 2015.

I. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from primary activities. For the Port Authority, these revenues are rental income, contributions received from public and private donors, and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority.

J. ESTIMATES

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

NOTE 2 – CASH

Active deposits are public deposits necessary to meet current demands on the Treasury. Such monies must be maintained either as cash in the Port Authority 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 Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits represent interim monies that 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 account including passbook accounts. Interim monies can be deposited or invested in the following securities:

1. Notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the

Southern Ohio Port Authority

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, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in item (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio)
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Entity's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Authority's average portfolio.

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments 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 may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

NOTE 3 - DEPOSITS:

Southern Ohio Port Authority

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Port Authority's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. At year-end 2015 the carrying amount of the Port Authority's deposits was \$137,193.02 which was covered by federal depository insurance.

NOTE 4 – CAPITAL ASSETS/PROPERTY HELD FOR RESALE

Capital assets activity for the fiscal year ended December 31, 2015 was as follows:

	Balance			Balance
	At			At
	<u>12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2015</u>
Land held for resale	\$1,166,104	100,256	(7,290)	\$1,259,070

NOTE 5 - NOTES PAYABLE

The Port Authority did not have any changes in notes payable in 2014:

Balance at 12/31/2014 Scioto County \$95,234

Scioto County note is secured by real estate and payment is due on demand of sale of real estate

To assist private sector in acquiring and constructing facilities deemed to be in the public interest, the Port authority issued \$10 million in industrial revenue bonds on May 8, 2008. Mortgages on the facilities secure the bonds. The bonds are payable solely from payments received on the underlying mortgage loans. The Port Authority, the State nor any other political subdivision is obligated in any manner for paying the bonds, which are not reflected in the debt schedule above.

NOTE 6 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System ("OPERS")

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan– a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility

Southern Ohio Port Authority

requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund postretirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to healthcare for members in the Traditional and Combined Plans was 2.0% for calendar year 2015.

Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Port Authority's contributions for health care to the OPERS for the year ending December 31, 2015, was \$1,400, which was equal to the required contributions for each year.

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

NOTE 7 – RELATED PARTY TRANSACTIONS

The Port Authority owes \$95,234 to Scioto County at December 31, 2015. The Port Authority is a related organization of Scioto County. The Port Authority owes J&H Erectors for contract work performed noted on the financial statements as accounts payable. Additionally, Donald Hadsell, owner of J&H Erectors owes the Port Authority for a loan received by Mr. Hadsell from the Port Authority in 2007 related to purchase of property, noted on the financial statements as Loans Receivable.

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Port Authority's primary assets consist of land, buildings, rail facilities and river dock located in Portsmouth, Ohio. The Port Authority's primary source of income was contributions. The purpose of The Port Authority's sale of industrial property is to promote the creation of industrial related jobs in Scioto County and

Southern Ohio Port Authority

property sales are typically made at below cost. The Port Authority has been totally dependent on outside contributions for its continued existence

NOTE 9 – CONTINGENCIES

Environmental: The Port Authority has no known outstanding environmental issues as of the date of this report. The Port Authority has an agreement with Ohio EPA in which the Port Authority performs environmental inspections and corrects resulting problems on Brownfield property at the time title is transferred to a prospective buyer in return for the Ohio EPA's covenant not to sue and becoming a part of the deed transferred to the buyer.

NOTE 10 – RISK MANAGEMENT

The Port Authority is included in Scioto County's County Risk Sharing Authority Joint Self Insurance Pool formed under Ohio Revised Code Section 2744. It provided for the following: comprehensive property and general liability coverage Vehicles; and Errors and omissions. During 2015, the Port Authority did not pay for any losses that exceeded insurance coverage. There were also no significant changes in coverage over the past three years.

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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

Southern Ohio Port Authority
Scioto County
P.O. Box 544
Portsmouth, Ohio 45662

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the major fund of the Southern Ohio Port Authority, Scioto 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 March 1, 2018, which was qualified because management has not adopted a methodology for calculating and reporting net pension liability, and the statement of cash flows did not include the components required by accounting principles generally accepted in the United States of America. We also noted that the financial statements have been prepared assuming that the Port Authority will continue as a going concern. The Port Authority lost significant funding from Scioto County in 2017; Scioto County called the loan payable \$95,234 in 2017; in 2017 the Port Authority Board authorized, at the request of those who originally donated to the Port Authority, the transfer of \$75,000 to a local foundation and the return of \$25,000 to the donor; and in 2017 the executive director and several board members have resigned.

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 2016-001, 2016-002 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-003.

Officials' Response to Findings

The officials' responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the officials' 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 Port Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 1, 2018

**SOUTHERN OHIO PORT AUTHORITY
SCIOTO 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

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring adequate security of assets and records as well as verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Governmental Accounting Standards Board (GASB) Statement 68 (codified in GASB P20) established standards, effective beginning with the Port Authority's 2015 financial statements, for measuring and recognizing employer pension liabilities and related deferred outflows of resources, deferred inflows of resources, expense.

The Port Authority did not report a net pension liability, deferred inflows, deferred outflows, or expense related to its participation in the Ohio Public Employee Retirement System as required by GASB 68. Lack of compliance with the accounting standards required by GASB 68 resulted in the misstatement of deferred outflows, liabilities, deferred inflows, equity and expenses, although we cannot reasonably determine the amount of this departure. This resulted in an opinion modification.

We recommend that the Port Authority implement the accounting standards promulgated by GASB 68. Auditor of State Bulletin 2015-006 provides guidance on the implementation of GASB 68.

Officials' Response:

The Southern Ohio Port Authority plans to implement the accounting standards promulgated by GASB 68 and plans to use the guidance as written in Auditor of State Bulletin 2015-006 in so doing.

FINDING NUMBER 2016-002

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring adequate security of assets and records as well as verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

We identified the following conditions related to the Port Authority's 2016 and 2015 financial statement.

- In 2015, \$297,410 was incorrectly reported as Private contributions instead of intergovernmental receipts.
- In 2016, the Equity amounts in the financial statement did not foot correctly. Unrestricted net assets were understated by \$10,372. The total amount of equity is correct on the financial statements, however, the amounts from unrestricted net assets and invested in capital assets, net of related debt did not agree to financial records.
- Property Held for Resale and Invested in Capital Assets were understated by \$44,024 and \$87,736 for 2016 and 2015 respectively.
- At December 31, 2015, \$951,509 was incorrectly reported as Unrestricted Net Assets instead of Invested in Capital Assets.

**FINDING NUMBER 2016-002
(Continued)**

- The Port Authority incorrectly recorded additions in the amount of \$104,350 in 2015 and deletions in the amount of \$7,290 and \$53,036 in 2015 and 2016 respectively.

The Port Authority corrected the financial statements and accounting records, where appropriate.

Failure to accurately post and report transactions could result in material errors in the Port Authority's financial statements and reduces the Port Authority's ability to monitor financial activity and to make sound, informed financial decisions.

We recommend that the Port Authority accurately record and report financial transactions.

Officials' Response:

The Authority plans to correct the reporting process segregating Private Contributions and Intergovernmental receipts as well as all Assets. They plan to move all financial and accounting to a different CPA firm with Chamberlin CPA no longer providing this service.

FINDING NUMBER 2016-003

Noncompliance

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

At December 31, 2015, expenditures exceeded appropriations by \$273,444.

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

We recommend the Treasurer compare expenditures to appropriations, at the legal level of control, on a monthly basis. If appropriations, in addition to those already adopted will be needed, the Port Authority should take the necessary steps to adopt additional appropriations (within available resources) or reduce spending. The Treasurer should deny requests for payment when appropriations are not available.

Officials' Response:

The Authority has implemented procedures with expenditures not to exceed appropriations.

FINDING NUMBER 2016-004

Material Weakness

Governmental Accounting Standards Board (GASB) codification sections 2450.127 - .129 require in part that:

- A statement of cash flows for the period should report net cash provided or used in each of four categories - operating, noncapital financing, capital and related financing, or investing activities - as well as the net effect of those flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents.

**FINDING NUMBER 2016-004
(Continued)**

- In reporting cash flows from operating activities, governmental enterprises should report major classes of gross cash receipts and gross cash payments and their arithmetic sum—the net cash flow from operating activities (the direct method). Governmental enterprises should, at a minimum, separately report these classes of operating cash receipts and payments:
 - a. Cash receipts from customers.
 - b. Cash receipts from interfund services provided.
 - c. Other operating cash receipts, if any.
 - d. Cash payments to employees for services.
 - e. Cash payments to other suppliers of goods or services.
 - f. Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and reasonably equivalent in value to, services provided.
 - g. Other operating cash payments, if any.
- Governmental enterprises should also provide—in an accompanying schedule—a reconciliation of operating income to operating cash flows.

The statement of cash flows presented by the Port Authority did not include the components required by GASB codification section 2450. The Port Authority statement of cash flows presents adjustments to reconcile net income to net cash provided by operations, an amount for unrestricted net assets, net cash increase for the period, and beginning and cash at the beginning and end for the period.

The Port Authority should present a statement of cash flows in accordance with GASB codification section 2450. This resulted in an opinion modification.

Officials' Response:

The Authority has implemented an accounting system separately reporting these classes of operating cash receipts and payments:

- A. Cash receipts from customers
- B. Cash receipts from interfund services provided
- C. Other operating cash receipts
- D. Cash payments to employees for services
- E. Cash payments to other suppliers of goods or services
- F. Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and reasonably equivalent in value to, service provided
- G. Other operating cash payments, if any

Statements of cash flow is to be in accordance with GASB codification section 2450.

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**SOUTHERN OHIO PORT AUTHORITY
SCIOTO COUNTY**

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

Finding Number	Finding Summary	Status	Additional Information
2014-001	Finding for recovery Repaid Under Audit	Corrective Action Taken and Finding is Fully Corrected	
2014-002	Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto	Partially Corrected	Reduced to Verbal issue
2014-003	Not collecting Debt Payments	Corrective Action Taken and Finding is Fully Corrected	
2014-004	Sound Financial Reporting	Not Corrected	Repeated as 2016-002

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SOUTHERN OHIO PORT AUTHORITY

SCIOTO 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
MARCH 27, 2018**