



Dave Yost • Auditor of State



MASON PORT AUTHORITY  
WARREN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Mason Port Authority  
Warren County  
6000 Mason-Montgomery Road  
Mason, Ohio 45040

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Mason Port Authority, Warren County, (the Port Authority) as of and for the years ended December 31, 2013 and 2012.

### ***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 opinion.

### ***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, to satisfy these requirements.

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2013 and 2012, 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 general fund cash balances of the Mason Port Authority, Warren County as of December 31, 2013 and 2012, and its general fund 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 November 26, 2014, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 26, 2014

**MASON PORT AUTHORITY  
WARREN COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GENERAL FUND  
FOR FISCAL YEARS ENDED DECEMBER 31**

	<b>2012</b>	<b>2013</b>
<b>Cash Receipts:</b>		
Intergovernmental	\$ 300,000	\$ 500,000
Total Cash Receipts	<u>300,000</u>	<u>500,000</u>
<b>Cash Disbursements:</b>		
Community Development	600,000	-
General Government	-	500
Total Cash Disbursements	<u>600,000</u>	<u>500</u>
Total Receipts Over/(Under) Disbursements	<u>(300,000)</u>	<u>499,500</u>
<b>Other Financing Receipts/(Disbursements)</b>		
Other Financing Sources	-	50,011
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>50,011</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(300,000)	549,511
Fund Cash Balances, January 1	<u>309,001</u>	<u>9,001</u>
<b>Fund Cash Balance, December 31</b>		
Assigned	\$ 1,000	\$ -
Unassigned	<u>8,000</u>	<u>558,511</u>
<b>Total Fund Cash Balances</b>	<u><u>\$ 9,001</u></u>	<u><u>\$ 558,511</u></u>

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**MASON PORT AUTHORITY**  
**WARREN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2013**

**1. DESCRIPTION OF THE REPORTING ENTITY**

The Mason Port Authority (the “Port Authority”) 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. The Port Authority was established in June 2005 pursuant to section 4582.22 of the Ohio Revised Code by ordinance of the City of Mason, Ohio. The five voting member Board of Directors directs the Port Authority.

The Port Authority provides services that are enumerated in Sections 4582.21 to 4582.29 of the Ohio Revised Code. The services include but are not limited to the power to purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities for purposes of enhancing, fostering, providing or promoting transportation, economic development, housing, recreation, education, government operations, culture and research.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant of the Port Authority’s accounting policies are described below:

**A. Basis of Presentation**

These financial statements of Mason County Port Authority follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Port Authority 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 Auditor of State prescribes or permits.

**B. Fund Accounting**

The Port Authority uses fund accounting to segregate cash and investments that are restricted as to use. The Port Authority relies upon the City of Mason to be a fiduciary fiscal agent to maintain the fund accounting records. The Port Authority only has a General Fund. The General Fund reports all financial resources except those required to be accounted for in another fund.

**C. Budgetary Data**

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

**D. Cash and Cash Equivalents**

The Port Authority maintains a cash management program whereby cash is deposited with the City of Mason as the Port Authority’s fiscal agent. The fiscal agent restricts activity to deposits restricted by the provisions of Ohio Revised Code. Investment procedures are also restricted by the provisions of the Ohio Revised Code.

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The Port Authority has no investments.

**E. Operating and Non-Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly by the Port Authority's primary mission. For the Port Authority, operating receipts include intergovernmental contributions to fund operations. Operating disbursements are necessary costs incurred to support the Port Authority's primary mission. Non-operating receipts and disbursements are those that are not generated directly by the Port Authority's primary mission. Repayment of a loan that was intended to be forgiven comprises the non-operating receipts of the Port Authority.

**F. 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:

1. Nonspendable  
The Port Authority classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.
2. Restricted  
Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments; or is imposed by law through constitutional provisions.
3. Committed  
The Board can *commit* amounts via formal action (resolutions). The Port Authority must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to extent that existing resources in fund have been specially committed to satisfy contractual requirements.
4. Assigned  
Assigned fund balances are intended for specific purposes but do not meet criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund assigned amounts represent intended uses established by the Board or a Port Authority official delegated that authority by resolution, or by State Statute.
5. Unassigned  
Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Port Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are

**MASON PORT AUTHORITY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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

**3. DEPOSITS**

State statutes classify monies held by the Port Authority as active deposits which 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.

The Port Authority maintains a cash management program whereby cash is deposited with the City of Mason as the Port Authority's fiscal agent. The City of Mason maintains a deposit and investment pool of funds including those held on behalf of the Port Authority. At fiscal year-end, the carrying value of the Port Authority's deposits was \$558,511. Not all of the Port Authority's deposits were insured by federal depository insurance. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Port Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**4. LOAN RECEIVABLES**

The Port Authority loans funds for economic development purposes that may be forgiven if specific construction, employment, and payroll targets are met. Failure to meet or exceed the objectives in the loan requires the business to repay the amount due for the semiannual reporting period. The following are the outstanding loan receivable at the end of the fiscal year:

<b>Company</b>	<b>Year of Loan/Last</b>	<b>Loan</b>	<b>Principal Forgiven</b>	<b>Principal Paid</b>	<b>Principal Balance</b>
Skilled Care	2006/2029	\$400,000	\$32,358	\$33,855	\$ 333,787
Spear	2009/2026	50,000	5,728	-	44,272
AssureRx	2011/	100,000	-	-	100,000
SeaPine	2012/	100,000	-	-	100,000
Top Gun Sales	2012/	200,000	-	-	200,000
Intelligrated	2012/	300,000	-	-	<u>300,000</u>
<b>Total</b>					<b>\$1,061,903</b>

\$500,000 was received from the City of Mason in 2013 to provide a forgivable loan to a company named Festo as part of an economic development incentive package. The loan is expected to be executed in 2014.

**5. RISK MANAGEMENT**

The Port Authority is covered by public official liability insurance with S.H. Smith & Company. Coverage with a private carrier provides liability insurance on the \$1,000,000 maximum per

***MASON PORT AUTHORITY  
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claim and in aggregate. There is no general liability coverage as the Port Authority does not maintain a separate place of business or have employees to insure.



# 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*

Mason Port Authority  
Warren County  
6000 Mason-Montgomery Road  
Mason, Ohio 45040

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 Mason Port Authority, Warren County, (the Port Authority) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated November 26, 2014 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Port Authority's internal control. Accordingly, we have not opined on it.

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

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 26, 2014



# Dave Yost • Auditor of State

**MASON PORT AUTHORITY**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 31, 2014**