



OHIO AUDITOR OF STATE
KEITH FABER



**MONROE COUNTY PORT AUTHORITY
MONROE COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Monroe County Port Authority
Monroe County
48301 State Route 800
Woodsfield, Ohio 43793

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 the Monroe County Port Authority, Monroe County, Ohio (the Authority), as of and for the years ended December 31, 2018 and 2017.

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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no 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 audit opinions.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Monroe County Port Authority, Monroe County, Ohio, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 September 10, 2019, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

September 10, 2019

**MONROE COUNTY PORT AUTHORITY
MONROE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash Receipts:	
Rental Income	\$268,507
Water Sales	404,317
Unrestricted Grants	22,500
Miscellaneous	10,000
	705,324
Total Cash Receipts	705,324
Cash Disbursements	
Professional Services	296,359
Real Estate Taxes	3,516
Miscellaneous	15,133
Property Purchase	2,262,160
Loan Fees	41,636
Debt Payments:	
Principal Retirement	132,500
Interest and Other Fiscal Charges	151,266
	2,902,570
Total Cash Disbursements	2,902,570
Total Cash Receipts (Under) Cash Disbursements	(2,197,246)
Other Financing Receipts	
Proceeds from Loan Advance	2,165,250
	2,165,250
Total Other Financing Receipts	2,165,250
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(31,996)
Fund Cash Balance January 1	528,843
Fund Cash Balance December 31	
Unassigned	496,847
Fund Cash Balance December 31	\$496,847

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

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Monroe County Port Authority
Monroe County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Monroe County Port Authority, Monroe County, (the Authority) 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 Authority operates under the direction of a five-member Board of Directors. The Board is appointed by the Monroe County Commissioners. The Authority is authorized to purchase, construct, sell, lease and operate facilities within its jurisdiction as enumerated in Ohio Revised Code §§ 4582.21 through 4582.59.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Authority's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types.

Fund Accounting

The Authority uses funds 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. The funds of the 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 Authority for any purpose provided it is expended or transferred according to the general laws of Ohio.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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 Authority Governing Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Monroe County Port Authority
Monroe County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

Encumbrances The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when individual commitments are made. The Authority did not use the encumbrance method of accounting.

A summary of 2018 budgetary activity appears in Note 4.

Capital Assets

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

Fund Balance

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

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

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$2,902,570 for the year ended December 31, 2018. This is due to the fact that the budgetary process was not followed and estimated receipts and appropriations were not set.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$2,870,574	\$2,870,574

Monroe County Port Authority
Monroe County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 4 – Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$2,902,570	(\$2,902,570)
	\$0	\$2,902,570	(\$2,902,570)

Note 5 – Deposits

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

	2018
Demand deposits	\$496,847

Deposits

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

Note 6 – Risk Management

Commercial Insurance

The Authority has obtained commercial insurance for comprehensive property and general liability.

Note 7 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Promissory Note 1	\$1,086,666	5.00%
Promissory Note 2	561,576	6.00%
Promissory Note 3	2,119,073	5.65%
Total	\$3,767,315	

Promissory Note 1 relates to the purchase of land acquired by the Authority. The note is payable in monthly installments at an annual percentage rate of 5.00%, with final payment due December 28, 2035. The note is supported by the full faith and credit of the Authority.

Promissory Note 2 relates to the purchase of land acquired by the Authority. The note is payable in monthly installments at an annual percentage rate of 6.00%, with final payment due December 1, 2027. The note is supported by the full faith and credit of the Authority.

Monroe County Port Authority
Monroe County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 7 – Debt (Continued)

Promissory Note 3 relates to the purchase of land acquired by the Authority. The note is payable in monthly installments at an annual percentage rate of 5.65%, with final balloon payment due June 28, 2023. The note is supported by the full faith and credit of the Authority.

Amortization

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

Year Ending December 31:	Promissory Note 1	Promissory Note 2	Promissory Note 3
2019	\$95,034	\$80,949	\$215,532
2020	95,034	80,949	215,532
2021	95,034	80,949	218,206
2022	95,034	80,949	220,879
2023	95,034	80,949	1,753,747
2024-2028	475,168	323,794	0
2029-2033	475,168	0	0
2034-2035	190,068	0	0
Total	<u>\$1,615,574</u>	<u>\$728,539</u>	<u>\$2,623,896</u>

Note 8 – Subsequent Event

On March 19, 2019, the Community Improvement Corporation of Monroe County transferred ownership of the Black Walnut Center in Woodsfield, Ohio to the Authority.

**MONROE COUNTY PORT AUTHORITY
MONROE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Cash Receipts:	
Rental Income	\$213,355
Water Sales	633,097
Unrestricted Grants	<u>156,469</u>
Total Cash Receipts	<u>1,002,921</u>
Cash Disbursements	
Professional Services	330,195
Real Estate Taxes	1,681
Miscellaneous	6,612
Property Purchase	701,498
Loan Fees	9,152
Debt Payments:	
Principal Retirement	41,509
Interest and Other Fiscal Charges	<u>60,288</u>
Total Cash Disbursements	<u>1,150,935</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(148,014)</u>
Other Financing Receipts	
Proceeds from Loan Advance	<u>612,000</u>
Total Other Financing Receipts	<u>612,000</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	<u>463,986</u>
Fund Cash Balance January 1	<u>64,857</u>
Fund Cash Balance December 31	
Unassigned	<u>528,843</u>
Fund Cash Balance December 31	<u><u>\$528,843</u></u>

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

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Monroe County Port Authority
Monroe County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Monroe County Port Authority, Monroe County, (the Authority) 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 Authority operates under the direction of a five-member Board of Directors. The Board is appointed by the Monroe County Commissioners. The Authority is authorized to purchase, construct, sell, lease and operate facilities within its jurisdiction as enumerated in Ohio Revised Code §§ 4582.21 through 4582.59.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Authority's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types.

Fund Accounting

The Authority uses funds 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. The funds of the 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 Authority for any purpose provided it is expended or transferred according to the general laws of Ohio.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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 Authority Governing Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Monroe County Port Authority
Monroe County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

Encumbrances The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when individual commitments are made. The Authority did not use the encumbrance method of accounting.

A summary of 2017 budgetary activity appears in Note 4.

Capital Assets

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

Fund Balance

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

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

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$1,150,935 for the year ended December 31, 2017. This is due to the fact that the budgetary process was not followed and estimated receipts and appropriations were not set.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$1,614,921	\$1,614,921

Monroe County Port Authority
Monroe County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$1,150,935	(\$1,150,935)

Note 5 – Deposits

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

	2017
Demand deposits	\$528,843

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

At December 31, 2017, \$285,447 of deposits were not insured or collateralized, contrary to Ohio law.

Note 6 – Risk Management

Commercial Insurance

The Authority maintains insurance on its current properties as provided by the Monroe County Commissioners.

Note 7 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Promissory Note 1	\$1,126,332	5.00%
Promissory Note 2	608,233	6.00%
Total	\$1,734,565	

Promissory Note 1 relates to the purchase of land acquired by the Authority. The note is payable in monthly installments at an annual percentage rate of 5.00%, with final payment due December 28, 2035. The note is supported by the full faith and credit of the Authority.

Promissory Note 2 relates to the purchase of land acquired by the Authority. The note is payable in monthly installments at an annual percentage rate of 6.00%, with final payment due December 1, 2027. The note is supported by the full faith and credit of the Authority.

Monroe County Port Authority
Monroe County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 – Debt (Continued)

Amortization

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

Year Ending December 31:	Promissory Note 1	Promissory Note 2
2018	\$95,034	\$80,949
2019	95,034	80,949
2020	95,034	80,949
2021	95,034	80,949
2022	95,034	80,949
2023-2027	475,168	404,740
2028-2032	475,168	0
2033-2035	285,153	0
Total	<u>\$1,710,659</u>	<u>\$809,485</u>

Note 8 – Subsequent Event

On March 19, 2019, the Community Improvement Corporation of Monroe County transferred ownership of the Black Walnut Center in Woodsfield, Ohio to the Authority.

OHIO AUDITOR OF STATE KEITH FABER



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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

Monroe County Port Authority
Monroe County
48301 State Route 800
Woodsfield, Ohio 43793

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 the Monroe County Port Authority, Monroe County, Ohio (the Authority), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 10, 2019, wherein we noted the Authority followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2018-004 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2018-001 and 2018-003.

Authority's Responses to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Authority's responses to the auditing procedures applied in the audit of the financial statements 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 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

September 10, 2019

**MONROE COUNTY PORT AUTHORITY
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 5705.28(B)(2)(a) states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

According to **Ohio Rev. Code § 5705.28(B)(2)(b)**, although a taxing unit that does not levy a tax is not a taxing unit for purposes for Ohio Rev. Code Chapter 5705, a Port Authority is still required to follow Ohio Rev. Code §§ 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44 and 5705.45. These sections separately require the Port Authority to, in part: certify beginning balances on or about the first day of each fiscal year, certify revenue available for appropriation, adopt appropriations within available resources, certify the availability of funds prior to incurring obligations, and limit expenditures to appropriations for each fund. However, documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

In addition, **Ohio Rev. Code § 5705.41(D)(1)** states that no taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

The Authority did not comply with the aforementioned budgetary laws for the periods ended December 31, 2018 and 2017. The Authority did not appropriate expenditures; therefore, the Authority was unable to monitor operations via the control that budgeting provides.

The Authority's accounting system did not allow for integration of budget information or encumbrances.

Budgeted amounts of receipts and disbursements integrated into the Authority's accounting system would allow for meaningful comparisons between the budgeted and actual figures.

The Authority should comply with applicable budgetary laws as noted in the Ohio Revised Code.

Officials' Response: The Monroe County Port Authority (MCPA) considered and voted to hire an independent financial advisory firm to draft, organize and implement an accounting system for the purpose of ensuring the accuracy of revenues and expenditures and appropriating funds for the creating an annual budget.

**MONROE COUNTY PORT AUTHORITY
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 135.18(A) states that each institution designated as a public depository and awarded public deposits under sections 135.01 to 135.21 of the Revised Code, except as provided in § 135.44 or 135.145 of the Revised Code, shall provide security for the repayment of all public deposits by selecting one of the following methods:

- (1) Securing all uninsured public deposits of each public depositor separately as set forth in divisions (B) to (J) of this section;
- (2) Securing all uninsured public deposits of every public depositor pursuant to § 135.181 or 135.182 of the Revised Code, as applicable, by establishing and pledging to the treasurer of state a single pool of collateral for the benefit of every public depositor at the public depository.

The Authority's checking account had a balance of \$410,566 at May 9, 2017 and the balance exceeded Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000 until August 16, 2018 with no collateral being obtained. At December 31, 2017, \$285,447 of deposits were not insured or collateralized.

Without proper collateral, the Authority is at risk of losing funds.

The Authority should ensure proper and adequate collateral is obtained to cover account balances in excess of \$250,000.

Officials' Response: The MCPA has remedied this finding by executing a public funds deposit agreement with Woodsfield Savings Bank for up to \$500,000. The MCPA will monitor its balance on a regular basis ensure that the balance stays below this threshold.

FINDING NUMBER 2018-003

Noncompliance

Ohio Revised Code Chapter 133 authorizes various methods by which subdivisions may incur debt. **Ohio Rev. Code § 133.22** allows a subdivision to issue anticipatory-securities; **Ohio Rev. Code § 133.10** allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision. **Ohio Rev. Code § 133.15** allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and **Ohio Rev. Code § 133.18** allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2015, the Authority issued commercial promissory notes with a local banking institution for the purchase of property in the amount of \$1,200,000. In 2017, the Authority obtained owner-financing from the Ludwig Family Partnership for the purchase of property in the amount of \$612,000. In 2018, the Authority issued commercial promissory notes with a local banking institution for the purchase of property in the amount of \$2,165,250.

**MONROE COUNTY PORT AUTHORITY
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2018-003
(Continued)**

This type of debt is not authorized in **Ohio Rev. Code Chapter 133**. Without a statutory provision authorizing this method for incurring debt, the Authority was not permitted to use such a method. The Authority had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Authority.

The Authority should consult with legal counsel when the Board anticipates incurring debt to help determine if the debt is authorized by statute.

Officials' Response: The MCPA's interpretation of Ohio Revised Code Chapter 133.01's definition of securities includes the current real estate debt instruments utilized by the MCPA.

FINDING NUMBER 2018-004

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Authority did not have control procedures in place to ensure the accuracy of the Fiscal Officer's revenue and expenditure line item account postings.

Also, the Authority did not properly classify its December 31, 2018 governmental fund cash balance in accordance with Governmental Accounting Standards Board (GASB) *Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

We noted the following in 2018 and 2017:

- The only loan activity posted was Property Down Payments of \$138,546 instead of Proceeds from Loan Advance in the amount of \$2,165,250, Property Purchase in the amount of \$2,262,160 and Loan Fees in the amount of \$41,636 in 2018.
- The only loan activity posted was Property Down Payments of \$70,650 instead of Proceeds from Loan Advance in the amount of \$612,000, Property Purchase in the amount of \$673,498 and Loan Fees in the amount of \$9,152 in 2017.
- Earnest money for a land purchase in the amount of \$28,000 was posted to Property Exclusivity Deposit instead of Property Purchase in 2017.
- Jobs Ohio grant reimbursement in the amount of \$146,469 was posted to Miscellaneous instead of Unrestricted Grants in 2017.

The adjustments noted above were agreed to by management and are reflected in the accompanying financial statements.

**MONROE COUNTY PORT AUTHORITY
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2018-004
(Continued)**

Material Weakness (Continued)

We also noted the following in 2018:

- Rent receipts in the amount of \$14,292 were posted to Water Sales instead of Rental Income.
- The General Fund amount appropriated over estimated receipts in the next fiscal year was classified as Unassigned rather than Assigned in the amount of \$79,008.

As these errors are not significant to the opinion unit affected in 2018, the adjustments noted above were agreed to by management but will not be posted to the financial statements.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Port Authority's financial position and operations.

The Fiscal Officer should develop internal control procedures and utilize available authoritative resources to ensure the financial statements of the Authority accurately classify and record all expenditure transactions. Also, the Authority Fiscal Officer may refer to Auditor of State Bulletin 2011-004 for additional guidance regarding fund balance classifications.

Officials' Response: The MCPA considered and voted to hire an independent financial advisory firm to draft, organize and implement an accounting system for the purpose of ensuring the accuracy of revenues and expenditures and appropriating funds for the creating an annual budget.



Monroe County Port Authority

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 5705.28(B)(2) and 5705.41(D)(1) for budgetary laws not followed.	Not Corrected	The MCPA considered and voted to hire an independent financial advisory firm to draft, organize and implement an accounting system for the purpose of ensuring the accuracy of revenues and expenditures and appropriating funds for the creating an annual budget.
2016-002	Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. In 2015, the Authority signed a promissory note with a local bank that was not allowed per Ohio Rev. Code Chapter 133.	Not Corrected	The MCPA's interpretation of Ohio Revised Code Chapter 133.01's definition of securities includes the current real estate debt instruments utilized by the MCPA.
2016-003	Material Weakness for debt payments not split into principal and interest.	Partially Corrected	The MCPA considered and voted to hire an independent financial advisory firm to draft, organize and implement an accounting system for the purpose of ensuring the accuracy of revenues and expenditures and appropriating funds for the creating an annual budget.

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OHIO AUDITOR OF STATE KEITH FABER



MONROE COUNTY PORT AUTHORITY

MONROE 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
SEPTEMBER 26, 2019**