



OHIO AUDITOR OF STATE
KEITH FABER



**PORT AUTHORITY OF NORTHWESTERN OHIO
PUTNAM COUNTY
DECEMBER 31, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Port Authority of Northwestern Ohio
Putnam County
142 East Main Street
Leipsic, Ohio 45856

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Port Authority of Northwestern Ohio, Putnam County, Ohio (the Port 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 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 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 Port Authority prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Port Authority as of December 31, 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, and related notes of the Port Authority of Northwestern Ohio, Putnam County, Ohio as of December 31, 2018 and 2017, 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 September 5, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

September 5, 2019

**PORT AUTHORITY OF NORTHWESTERN OHIO
PUTNAM COUNTY**

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

	General
Cash Receipts	
Land Rent	\$46,095
Palpac Loan Repayment	19,406
Real Estate Tax Reimbursement	2,098
Earnings on Investments	731
	68,330
<i>Total Cash Receipts</i>	
Cash Disbursements	
Real Estate Tax	10,600
Other	189
CIC Donation	5,000
Insurance	2,295
Dues	200
Debt Service:	
Principal Retirement	121,863
Interest and Fiscal Charges	33,566
	173,713
<i>Total Cash Disbursements</i>	
	(105,383)
<i>Excess of Disbursements Over Receipts</i>	
Other Financing Receipts	
Bookcase Properties, LLC	51,300
Leipsic Waterline	40,003
Geise Transmission	35,649
Ellerbrock Loan	24,864
	151,816
<i>Total Other Financing Receipts</i>	
	46,433
<i>Net Change in Fund Cash Balance</i>	
	101,126
<i>Fund Cash Balance, January 1</i>	
Fund Cash Balance, December 31	
Unassigned	147,559
	147,559
<i>Fund Cash Balance, December 31</i>	
	\$147,559

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

Port Authority of Northwestern Ohio
Putnam County
Notes to the Financial Statement
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Port Authority of Northwestern Ohio, Putnam County, (the Port Authority) was created pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution and research and development interests of Putnam County including rendering financial and other assistance to such enterprises situated in Putnam County and to induce the location in Putnam County of other manufacturing, commerce, distribution and research entities; to purchase, subdivide, sell and lease real property in Putnam County and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Putnam County.

The Port Authority Board of Directors consists of the number of Directors it deems necessary. Currently, seventeen Directors serve on the Board.

Public Entity Risk Pool

The Port Authority participates in a public entity risk pool, the Public Entities Pool of Ohio (PEP). Note 6 to the financial statement provides additional information for this entity. The Port Authority's management believes this financial statement present all activities for which the Port Authority is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Port Authority's financial statement consists of a statement of receipts, disbursements and changes in fund balance (regulatory cash basis).

Fund Accounting

The Port Authority uses a 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. The fund of the Port Authority is presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Port Authority for any purpose provided it is expended or transferred according to the general laws of Ohio.

Basis of Accounting

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Port Authority of Northwestern Ohio
Putnam County
Notes to the Financial Statement
For the Year Ended December 31, 2018
(Continued)

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control, and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments.

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 Port Authority to reserve (encumber) appropriations when individual commitments are made. The Port Authority did not use the encumbrance method of accounting.

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The Board can *commit* amounts via formal action (resolution). The Port Authority must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Board of Directors or a Port Authority official delegated that authority by resolution, or by State Statute.

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

Port Authority of Northwestern Ohio
Putnam County
Notes to the Financial Statement
For the Year Ended December 31, 2018
(Continued)

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$22,005 for the year ended December 31, 2018.

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	\$222,088	\$220,146	(\$1,942)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$151,708	\$173,713	(\$22,005)

Note 5 – Deposits

The Port 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	\$147,559

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Risk Management

The Port Authority is exposed to various risks of property and casualty losses, and injuries to employees.

The Port Authority insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Port Authority belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Port Authority of Northwestern Ohio
Putnam County
Notes to the Financial Statement
For the Year Ended December 31, 2018
(Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 (the latest information available).

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Port Authority's share of these unpaid claims collectible in future years is approximately \$1,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2018 Contributions to PEP</u> \$2,295
--

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Debt

Debt outstanding at December 31, 2018 was as follows:

Port Authority of Northwestern Ohio
Putnam County
Notes to the Financial Statement
For the Year Ended December 31, 2018
(Continued)

	<u>Principal</u>	<u>Interest Rate</u>
Fort Jennings State Bank Promissory Notes		
Bookcase Properties, LLC	\$113,467	2.90%
Village of Leipsic Loan	58,629	2.90%
Geise Loan	548,987	3.25%
First Federal Bank Promissory Note		
Ellerbrock Loan	336,472	3.05%
Total	<u>\$1,057,555</u>	

On October 1, 2013, the Port Authority borrowed on-behalf of Bookcase Properties, LLC, for the sum of \$380,000 with Fort Jennings State Bank. The note is being used to finance the cost of purchasing real estate located in Monterey Township now annexed into the Village of Ottoville. Bookcase Properties, LLC, entered into a financial lease with the Port Authority to service the respective debt obligations on this project. The initial principal payments started in October 2013 and terminates in August 2020. As collateral, the Port Authority filed a lien on a property owned by Bookcase Properties, LLC located at 24520 U.S. 224 in Ft. Jennings, Ohio. Bookcase Properties, LLC agreed to pay the Port Authority \$4,275, per month, beginning October 2013.

On June 13, 2014, the Port Authority borrowed on-behalf of the Village of Leipsic \$220,000 in a promissory note with Fort Jennings State Bank. The note is being used to finance a portion of the cost of construction of a waterline. The Village entered into an agreement with the Port Authority to service the respective debt obligations on this project. The initial principal payments started in July 2014 and terminate in June 2020. The Village of Leipsic agreed to pay the Port Authority \$3,334, per month, beginning July 2014.

On January 8, 2018, the construction loan the Port Authority borrowed on-behalf of Dennis Geise/Geise Properties LLC, became a promissory note in the amount of \$571,300.58 with Fort Jennings State Bank. The note is being used to finance a portion of the cost to construct a building housing Geise Transmission location in the Village of Ottoville. Dennis Geise/Geise Properties LLC, entered into a financial lease with the Port Authority to service the respective debt obligations on this project. The initial principal payments started on June 1, 2017 and terminate on May 10, 2037. As collateral, the Port Authority filed a lien on Dennis Geise life insurance policy and property owned by Geise Transmission located at 640 East Main Street, Ottoville, Ohio. Dennis Geise/Geise Properties LLC, agreed to pay the Port Authority \$3,240.80, per month, beginning June, 2017.

On May 6, 2016, the Port Authority borrowed on-behalf of Ellerbrock's Plumbing and Heating \$372,239 in a promissory note with First Federal Bank. The note is being used to finance a portion of the cost to construct a building located in the Village of Ottawa. Ellerbrock's Plumbing and Heating entered into a financial lease with the Port Authority to service the respective debt obligations on this project. The initial principal payments started in May 2016 and terminate in October 2036. As collateral, the Port Authority filed a lien on a property owned by Ellerbrock's Plumbing and Heating located at 212 Meadow Glen Drive, Ottawa, Ohio. Ellerbrock's Plumbing and Heating agreed to pay the Port Authority \$2,052, per month, beginning July 6, 2016.

Amortization

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

Port Authority of Northwestern Ohio
Putnam County
Notes to the Financial Statement
For the Year Ended December 31, 2018
(Continued)

Year Ending December 31:	Fort Jennings State Bank Geise Loan	Fort Jennings State Bank Bookcase Properties, LLC Loan	Fort Jennings State Bank Village of Leipsic Loan	First Federal Bank Ellerbrock Loan
2019	\$35,648	\$51,300	\$40,003	\$24,617
2020	38,890	65,867	19,981	24,618
2021	38,890			24,617
2022	38,890			24,618
2023-2027	194,450			123,088
2028-2032	194,449			123,090
2033-2037	194,450			93,778
2038	2,672			
Total	\$738,339	\$117,167	\$59,984	\$438,426

**PORT AUTHORITY OF NORTHWESTERN OHIO
PUTNAM COUNTY**

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

	General
Cash Receipts	
Land Rent	\$46,099
Palpac Loan Repayment	17,789
Earnings on Investments	173
	64,061
<i>Total Cash Receipts</i>	<i>64,061</i>
Cash Disbursements	
Real Estate Tax	10,376
Other	458
CIC Donation	10,000
Insurance	2,420
Dues	100
Debt Service:	
Principal Retirement	93,081
Interest and Fiscal Charges	25,219
	141,654
<i>Total Cash Disbursements</i>	<i>141,654</i>
<i>Excess of Disbursements Over Receipts</i>	<i>(77,593)</i>
Other Financing Receipts	
Bookcase Properties, LLC	51,300
Leipsic Waterline	40,003
Geise Transmission	5,713
Ellerbrock Loan	24,864
	121,880
<i>Total Other Financing Receipts</i>	<i>121,880</i>
<i>Net Change in Fund Cash Balance</i>	<i>44,287</i>
<i>Fund Cash Balance, January 1</i>	<i>56,839</i>
Fund Cash Balance, December 31	
Restricted	369
Unassigned	100,757
	\$101,126
<i>Fund Cash Balance, December 31</i>	<i>\$101,126</i>

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

Port Authority of Northwestern Ohio
Putnam County
Notes to the Financial Statement
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Port Authority of Northwestern Ohio, Putnam County, (the Port Authority) was created pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution and research and development interests of Putnam County including rendering financial and other assistance to such enterprises situated in Putnam County and to induce the location in Putnam County of other manufacturing, commerce, distribution and research entities; to purchase, subdivide, sell and lease real property in Putnam County and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Putnam County.

The Port Authority Board of Directors consists of the number of Directors it deems necessary. Currently, seventeen Directors serve on the Board.

Public Entity Risk Pool

The Port Authority participates in a public entity risk pool, the Public Entities Pool of Ohio (PEP). Note 6 to the financial statement provides additional information for this entity. The Port Authority's management believes this financial statement present all activities for which the Port Authority is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Port Authority's financial statement consists of a statement of receipts, disbursements and changes in fund balance (regulatory cash basis).

Fund Accounting

The Port Authority uses a 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. The fund of the Port Authority is presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Port Authority for any purpose provided it is expended or transferred according to the general laws of Ohio.

Basis of Accounting

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually

Port Authority of Northwestern Ohio
Putnam County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control, and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments.

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 Port Authority to reserve (encumber) appropriations when individual commitments are made. The Port Authority did not use the encumbrance method of accounting.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The Board can *commit* amounts via formal action (resolution). The Port Authority must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Board of Directors or a Port Authority official delegated that authority by resolution, or by State Statute.

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

Port Authority of Northwestern Ohio
Putnam County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$12,289 for the year ended December 31, 2017.

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	\$179,875	\$185,941	\$6,066

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$129,365	\$141,654	(\$12,289)

Note 5 – Deposits

The Port 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	\$101,126

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Risk Management

The Port Authority is exposed to various risks of property and casualty losses, and injuries to employees.

The Port Authority insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Port Authority belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered

Port Authority of Northwestern Ohio
Putnam County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Port Authority's share of these unpaid claims collectible in future years is approximately \$2,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2017 Contributions to PEP</u> \$2,420
--

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Debt

Debt outstanding at December 31, 2017 was as follows:

Port Authority of Northwestern Ohio
Putnam County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

	<u>Principal</u>	<u>Interest Rate</u>
Fort Jennings State Bank Promissory Notes		
Bookcase Properties, LLC Loan	\$160,730	2.90%
Village of Leipsic Loan	96,337	2.90%
Geise Loan	571,301	3.25%
First Federal Bank Promissory Note		
Ellerbrock Loan	351,049	3.05%
Total	<u>\$1,179,417</u>	

On October 1, 2013, the Port Authority borrowed on-behalf of Bookcase Properties, LLC, for the sum of \$380,000 with Fort Jennings State Bank. The note is being used to finance the cost of purchasing real estate located in Monterey Township now annexed into the Village of Ottoville. Bookcase Properties, LLC, entered into a financial lease with the Port Authority to service the respective debt obligations on this project. The initial principal payments started in October 2013 and terminates in August 2020. As collateral, the Port Authority filed a lien on a property owned by Bookcase Properties, LLC located at 24520 U.S. 224 in Ft. Jennings, Ohio. Bookcase Properties, LLC agreed to pay the Port Authority \$4,275, per month, beginning October 2013.

On June 13, 2014, the Port Authority borrowed on-behalf of the Village of Leipsic \$220,000 in a promissory note with Fort Jennings State Bank. The note is being used to finance a portion of the cost of construction of a waterline. The Village entered into an agreement with the Port Authority to service the respective debt obligations on this project. The initial principal payments started in July 2014 and terminate in June 2020. The Village of Leipsic agreed to pay the Port Authority \$3,334, per month, beginning July 2014.

On January 8, 2018, the construction loan the Port Authority borrowed on-behalf of Dennis Geise/Geise Properties LLC, became a promissory note in the amount of \$571,300.58 with Fort Jennings State Bank. The note is being used to finance a portion of the cost to construct a building housing Geise Transmission location in the Village of Ottoville. Dennis Geise/Geise Properties LLC, entered into a financial lease with the Port Authority to service the respective debt obligations on this project. The initial principal payments started on June 1, 2017 and terminate on May 10, 2037. As collateral, the Port Authority filed a lien on Dennis Geise life insurance policy and property owned by Geise Transmission located at 640 East Main Street, Ottoville, Ohio. Dennis Geise/Geise Properties LLC, agreed to pay the Port Authority \$3,240.80, per month, beginning June, 2017.

On May 6, 2016, the Port Authority borrowed on-behalf of Ellerbrock's Plumbing and Heating \$372,239 in a promissory note with First Federal Bank. The note is being used to finance a portion of the cost to construct a building located in the Village of Ottawa. Ellerbrock's Plumbing and Heating entered into a financial lease with the Port Authority to service the respective debt obligations on this project. The initial principal payments started in May 2016 and terminate in October 2036. As collateral, the Port Authority filed a lien on a property owned by Ellerbrock's Plumbing and Heating located at 212 Meadow Glen Drive, Ottawa, Ohio. Ellerbrock's Plumbing and Heating agreed to pay the Port Authority \$2,052, per month, beginning July 6, 2016.

Amortization

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

Port Authority of Northwestern Ohio
Putnam County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

Year Ending December 31:	Fort Jennings State Bank Geise Loan	Fort Jennings State Bank Bookcase Properties, LLC Loan	Fort Jennings State Bank Village of Leipsic Loan	First Federal Bank Ellerbrock Loan
2018	\$38,889	\$51,300	\$40,003	\$25,235
2019	35,648	51,300	40,003	24,617
2020	38,890	65,867	19,981	24,618
2021	38,890			24,617
2022	38,890			24,618
2023-2027	194,450			123,088
2028-2032	194,449			123,090
2033-2037	194,450			93,778
2038	2,672			
Total	<u>\$777,228</u>	<u>\$168,467</u>	<u>\$99,987</u>	<u>\$463,661</u>



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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**

Port Authority of Northwestern Ohio
Putnam County
142 East Main Street
Leipsic, Ohio 45856

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 of the Port Authority of Northwestern Ohio, Putnam County, Ohio (the Port 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 5, 2019 wherein we noted the Port Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-002 and 2018-003.

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.



Keith Faber
Auditor of State

Columbus, Ohio

September 5, 2019

**PORT AUTHORITY OF NORTHWESTERN OHIO
PUTNAM 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

Material Weakness – Financial Reporting

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. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were identified in the accompanying financial statements:

- In 2018 and 2017, Budgeted Receipts in the budgetary note to the financial statements did not agree to amounts certified by the County Budget Commission by \$222,088 and \$179,875, respectively, in the General Fund.
- In 2018 and 2017, Actual Receipts in the budgetary note to the financial statements were understated by \$220,146 and \$185,941, respectively, in the General Fund.
- In 2018 and 2017, Appropriation Authority in the budgetary note to the financial statements did not agree to amounts approved by \$151,708 and \$129,365, respectively, in the General Fund.
- In 2018 and 2017, Budgetary Expenditures in the budgetary note to the financial statements were understated by \$173,713 and \$141,654, respectively, in the General Fund.
- In 2018, the Port Authority's financial statements filed in the Hinkle System only reported fund balance and did not include the fund classification required by GASB 54. As a result, in 2018, unassigned fund balance was incorrectly classified in the General Fund by \$147,559.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Port Authority's financial statements and notes to the financial statements did not correctly reflect the financial activity of the Port Authority. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Port Authority's financial statements and notes to the financial statements are complete and accurate, the Port Authority should adopt policies and procedures, including a final review of the statements and notes by the Secretary/Treasurer and Board, to identify and correct errors and omissions.

FINDING NUMBER 2018-002

Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(1) provides that no subdivision or 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 for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The primary exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), of the Ohio Rev. Code.

1. "Then and Now" Certificate – If the secretary/treasurer can certify that both at the time that the contract or order was made ("then"), and at the time the secretary/treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$100, in the case of counties, and \$3,000, in the case of all other subdivisions or taxing units, may be paid by the secretary/treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. Blanket Certificate – Secretary/Treasurer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the transactions tested in 2018 and 2017 were certified by the Secretary/Treasurer at the time the commitments were incurred, and there was no evidence the Port Authority followed the aforementioned exceptions. This was caused by failure of the Board to adopt a policy regarding the use of purchase orders, blanket certificates, super blanket certificates, or then and now certificates. Failure to use purchase orders could result in deficit spending.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Port Authority's funds exceeding budgetary spending limitations, the Secretary/Treasurer should certify the funds are or will be available prior to obligation by the Port Authority. When prior certification is not possible, "then and now" certification should be used.

The Board should certify purchases to which Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language that Ohio Revised Code § 5705.41(D) requires to authorize disbursements. The Secretary/Treasurer should sign the certification at the time the Secretary/Treasurer incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Secretary/Treasurer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2018-003

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Port Authority's General Fund had expenditures in excess of appropriations of \$22,005 and \$12,289, as of December 31, 2018 and 2017, respectively.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board should frequently review expenditures and appropriations. In addition, the necessary appropriation amendments should be made, if possible, to reduce the possibility of expenditures exceeding appropriations. The Secretary/Treasurer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

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OHIO AUDITOR OF STATE KEITH FABER



PORT AUTHORITY OF NORTHWESTERN OHIO

PUTNAM 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 24, 2019**