



Dave Yost • Auditor of State



**SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of the Board:

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

We have audited the accompanying financial statements of Southern Ohio Port Authority, Scioto County, Ohio (the Port Authority), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require 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 overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Ohio Port Authority, Scioto County as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 8 to the financial statements, the January 1, 2013 balance was restated due to prior period adjustments relating to the Port Authority's liabilities.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2016, 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

May 20, 2016

**SOUTHERN OHIO PORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(UNAUDITED)**

The discussion and analysis of the Southern Ohio Port Authority's financial performance provides an overview of the Port Authority's financial performance as a whole for the years ended December 31, 2014 and 2013. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current years and prior year is required to be presented, and is presented in the MD&A.

### **Financial Highlights**

Key financial highlights for 2014 and 2013 follow:

- Total assets increased \$170,123, or 13.7% between 2014 and 2013, and increased \$7,438, or .6%, between 2013 and 2012.
- Total liabilities increased \$14,105, or 6.3%, between 2014 and 2013, and did not change between 2013 and 2012.
- Total net position increased \$156,018, or 15.3%, between 2014 and 2013, and increased \$7,438, or .7%, between 2013 and 2012.
- Total revenues increased \$274,029, or 1034.4% between 2014 and 2013, and decreased \$788,034, or 96.7%, between 2013 and 2012.
- Total expenses increased \$125,449, or 658.4%, between 2014 and 2013, and decreased \$2,406,188, or 99.2%, between 2013 and 2012.

### **Using this Annual Financial Report**

This financial report contains the basic financial statements of the Port Authority, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the Port Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

#### *Statement of Net Position*

The statement of net position answers the question, "How did we do financially during the year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by private sector companies. This basis of accounting takes into account all revenues and expenses during the year regardless of when the cash is received or paid.

This statement reports the Port Authority's net position, however, in evaluating the overall position and financial viability of the Port Authority, non-financial information, such as the condition of the Port Authority's capital assets, will also need to be evaluated.

**SOUTHERN OHIO PORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(UNAUDITED)**

Table 1 provides a summary of the Port Authority's net position for 2014 and 2013 compared to 2012.

**Table 1  
Net Position**

	<u>2014</u>	<u>2013</u>	<u>2014/2013 Change</u>	<u>2012 (restated)</u>	<u>2013/2012 Change</u>
<b>Assets</b>					
Current Assets	245,037	203,704	41,333	196,266	7,438
Property Held for Resale	<u>1,166,894</u>	<u>1,038,104</u>	<u>128,790</u>	<u>1,038,104</u>	<u>0</u>
Total Assets	1,411,931	1,241,808	170,123	1,234,370	7,438
<b>Liabilities</b>					
Current Liabilities	143,828	129,723	14,105	129,723	0
Long-Term Liabilities	<u>95,234</u>	<u>95,234</u>	<u>0</u>	<u>95,234</u>	<u>0</u>
Total Liabilities	239,062	224,957	14,105	224,957	0
<b>Net Position</b>					
Net Investment in Capital Assets	1,071,660	942,870	128,790	892,870	50,000
Unrestricted	<u>101,209</u>	<u>73,981</u>	<u>27,228</u>	<u>116,543</u>	<u>(42,562)</u>
Total	1,172,869	1,016,851	156,018	1,009,413	7,438

The increase in total assets between 2013 and 2014 was due primarily to the donation of property held for resale to the Port Authority during 2014. The change in total assets from 2012 to 2013 was not significant.

The increase in the liabilities between 2014 and 2013 was directly related to a payable posted at the end of 2014 related to professional services rendered but not yet paid for.

Table 2 provides a summary of changes in the Port Authority's net assets for 2014 and 2013 as well as revenue and expense comparison to 2012.

**SOUTHERN OHIO PORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(UNAUDITED)**

**Table 2**

	<u>2014</u>	<u>2013</u>	<u>2014/2013 Change</u>	<u>2012 (Restated)</u>	<u>2013/2012 Change</u>
<b>Revenue</b>					
<b>Operating Revenues:</b>					
Private Contributions	110,322	21,000	89,322	0	21,000
Intergovernmental Revenue	55,000	0	55,000	9,275	(9,275)
Rental Income	6,259	4,761	1,498	0	4,761
Program Revenue	<u>0</u>	<u>500</u>	<u>(500)</u>	<u>155,006</u>	<u>(154,506)</u>
Total Operating Revenue:	171,581	26,261	145,320	164,281	(138,020)
<b>Non-operating Revenue:</b>					
Interest Income	204	231	(27)	245	(14)
Property Sales	126,950	0	126,950	650,000	(650,000)
Other Non-operating Revenue:	<u>1,786</u>	<u>0</u>	<u>1,786</u>	<u>0</u>	<u>0</u>
Total Non-operating Revenue:	<u>128,940</u>	<u>231</u>	<u>128,709</u>	<u>650,245</u>	<u>(650,014)</u>
<b>Total Revenue:</b>	<u>300,521</u>	<u>26,492</u>	<u>274,029</u>	<u>814,526</u>	<u>(788,034)</u>
<b>Expenses</b>					
<b>Operating Expenses:</b>					
Payroll	80,920	0	80,920	0	0
Administrative	7,375	2,772	4,603	5,105	(2,333)
Material & Supplies	14,251	3,586	10,665	3,276	310
Contractual Services	0	11,046	(11,046)	1,331,038	(1,319,992)
Professional Fees	<u>41,957</u>	<u>900</u>	<u>41,057</u>	<u>19,021</u>	<u>(18,121)</u>
Total Operating Expenses	144,503	18,304	126,199	1,358,440	(1,340,136)
<b>Non-operating expenses:</b>					
Interest Expense	0	0	0	3,953	(3,953)
Property Cost	0	0	0	1,062,849	(1,062,849)
Other Non-operating expenses:	0	750	(750)	0	750
Total Non-operating expenses	<u>0</u>	<u>750</u>	<u>(750)</u>	<u>1,066,802</u>	<u>(1,066,052)</u>
Total expenses	<u>144,503</u>	<u>19,054</u>	<u>125,449</u>	<u>2,425,242</u>	<u>(2,406,188)</u>
Change in Net Position	156,018	7,438	148,580	(1,610,716)	1,618,154
Beginning Net Position (restated)	<u>1,016,851</u>	<u>1,009,413</u>	<u>7,438</u>	<u>2,620,129</u>	<u>(1,610,716)</u>
Ending Net Position	1,172,869	1,016,851	156,018	1,009,413	7,438

**SOUTHERN OHIO PORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(UNAUDITED)**

The increase in total revenues between 2014 and 2013 was due to an increase in intergovernmental revenue from Scioto County and payments from private companies as well. The increase in total expenses between 2014 and 2013 was due largely to the Port Authority hiring a full time director in 2014.

The decrease in total revenues and expenses between 2013 and 2012 was due largely the large sale of property in 2012 that did not occur again in 2013.

**Capital Assets**

At December 31, 2014 and 2013, the Port Authority maintained land they held for resale. That land was valued at \$1,166,894 and \$1,038,104, respectively. See Note 3 of the notes to the basic financial statements for more detailed information on the Port Authority's capital assets.

**Debt Administration**

The Port Authority finances construction in progress primarily through the issuance of notes. At December 31, 2014 and 2013, debt outstanding was \$95,234. See Note 4 of the notes to the basic financial statements for more detailed information on the Authority's debt obligations.

**Economic Factors**

Port Authority continues to pursue new revenue sources, while reviewing the possibility of increasing existing sources. The Port Authority is currently receiving funding from Scioto County and other agencies/companies to assist in further economic development of the area.

**Request for Information**

This financial report is designed to provide a general overview of the Port Authority's finances and to show the Port Authority's accountability for the money it receives, spends, and invests. Questions concerning any of the information provided in this report or requests for additional information should be directed to Jason D. Kester, Executive Director, Southern Ohio Port Authority, 342 Second Street, P.O. Box 544, Portsmouth OH 45662.

**SOUTHERN OHIO PORT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
Current Assets		
Cash	\$ 121,037	\$ 79,704
Loans Receivable	124,000	124,000
Total Current Assets	<u>245,037</u>	<u>203,704</u>
Property Held for Resale	<u>1,166,894</u>	<u>1,038,104</u>
Total Assets	<u>1,411,931</u>	<u>1,241,808</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Current Liabilities		
Accounts Payable	140,223	129,723
Withholdings Payable	3,605	0
Total Current Liabilities	<u>143,828</u>	<u>129,723</u>
Noncurrent Liabilities		
Notes Payable Net of Current Portion	<u>95,234</u>	<u>95,234</u>
Total Liabilities	<u>239,062</u>	<u>224,957</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	1,071,660	942,870
Unrestricted Net Position	101,209	73,981
Total Net Position	<u>1,172,869</u>	<u>1,016,851</u>
Total Liabilities and Net Position	<u>\$ 1,411,931</u>	<u>\$ 1,241,808</u>

See accompanying notes to the basic financial statements

**SOUTHERN OHIO PORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDING DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>REVENUES</b>		
Private Contributions	\$ 110,322	\$ 21,000
Intergovernmental	55,000	0
Program Revenue	0	500
Rental Revenue	6,259	4,761
Total Operating Revenues	<u>171,581</u>	<u>26,261</u>
<b>EXPENSES</b>		
Payroll	80,920	0
Administration	7,375	2,772
Materials and Supplies	14,251	3,586
Contractual Services	0	11,046
Professional Fee	41,957	900
Total Operating Expenses	<u>144,503</u>	<u>18,304</u>
Operating Income(Loss)	27,078	7,957
<b>Nonoperating Revenues(Expenses)</b>		
Other Income	1,786	0
Interest Revenue	204	231
Property Sales	126,950	0
Penalties	0	(750)
Total Nonoperating Revenues(Expenses)	<u>128,940</u>	<u>(519)</u>
Change in Net Position	156,018	7,438
Net Position-Beginning (Restated - See Note 8)	<u>\$ 1,016,851</u>	<u>\$ 1,009,413</u>
Net Position-Ending	<u><u>\$ 1,172,869</u></u>	<u><u>\$ 1,016,851</u></u>

See accompanying notes to the basic financial statements

**SOUTHERN OHIO PORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDING DECEMBER 31, 2014 AND 2013**

<b>Increase/(decrease) in cash and cash equivalents</b>	2014	2013
Cash flows from operating activities:		
Cash received from Other Governments	\$ 55,000	\$ -
Cash received from Private Donations	110,322	21,000
Cash received from Other Income	6,259	5,261
Cash payments to employees	(77,315)	0
Cash payments for contractual services	0	(11,046)
Cash payments for other	<u>(53,083)</u>	<u>(7,258)</u>
Net cash provided by (used in) operating activities:	<u>41,183</u>	<u>7,957</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of property	2,000	0
Costs associated with sale of property	(3,840)	0
Proceeds from Reimbursement of related costs	<u>1,036</u>	<u>0</u>
Net cash provided by (used in) capital and related financing activities:	<u>(804)</u>	<u>0</u>
Cash flows from investing activities:		
Interest	204	231
Penalty Assessment / Refund of Penalty Assessment	<u>750</u>	<u>(750)</u>
Net cash provided by (used in) investing activities:	<u>954</u>	<u>(519)</u>
Net increase(decrease) in cash and cash equivalents:	41,333	7,438
Cash and cash equivalents at beginning of year	<u>79,704</u>	<u>72,266</u>
Cash and cash equivalents at end of year	<u><u>\$ 121,037</u></u>	<u><u>\$ 79,704</u></u>

(continued)

**SOUTHERN OHIO PORT AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDING DECEMBER 31, 2014 AND 2013**

	2014	2013
RECONCILIATION OF EXCESS REVENUES OVER EXPENSES TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income (loss)	<u>\$ 27,078</u>	<u>\$ 7,957</u>
Adjustments to reconcile excess of revenues over expenses to net net cash provided by operating activities:		
Decrease (increase) in:		
Loans Receivable	0	0
(Decrease) increase in:		
Accounts Payable	10,500	0
Withholdings Payable	<u>3,605</u>	<u>0</u>
Total adjustments	14,105	0
Net cash provided by operating activities	<u><u>\$ 41,183</u></u>	<u><u>\$ 7,957</u></u>

Noncash Transactions:

The Port Authority received donations of property during the year. The total value received was \$159,240.

See accompanying notes to the basic financial statements

**SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Southern Ohio Port Authority, Scioto County, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Section 4582.02 of the Ohio Revised Code. The Port Authority is governed by a nineteen member Board of Directors. Members of the Board are appointed by the Scioto County Commissioners. The purpose of the Port Authority is to be involved in the activities that enhance foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Scioto County.

The Port Authority is statutorily created as a separate and distinct political subdivision of the State. The Authority is governed by a nine member Board of Trustees appointed by the Scioto County Commissioners. Scioto County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Scioto County maintains its own accounting functions, is a separate reporting entity, and its financial activity is not included within the financial statements of the Port Authority.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Port Authority consists of its general operation fund.

Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization's governing board and (1) the Port Authority is able to significantly influence the programs or services performed or provided by the organizations, or (2) the Port Authority is legally entitled to or can otherwise access the organization's resources; the Port Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits or to provide financial support to the organizations; or the Port Authority is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent of the Port Authority if the Port Authority approves the budget, the issuance of debt, or the levying of taxes. The Port Authority has no component units.

The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed on September 22, 1983.

**SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting**

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body of establishing governmental accounting and financial reporting principles.

The Port Authority's financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows.

The Port Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows. An Enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**C. Measurement Focus**

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

**D. Fund Accounting**

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

**E. Budgetary Process**

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

**F. Cash, Cash Equivalents and Investments**

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

**SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Capital Assets**

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

**H. Net Position**

Net position represents the difference between assets and liabilities. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The Port Authority did not have any restricted net position for 2014 and 2013.

**I. Operating Revenues and Expenses**

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

**J. Estimates**

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

**2. CASH**

Active deposits are public deposits necessary to meet current demands on the Treasury. Such monies must be maintained either as cash in the Port Authority Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 2014 AND 2013  
(Continued)**

**2. CASH (Continued)**

Interim deposits represent interim monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit account including passbook accounts. Interim monies can be deposited or invested in the following securities:

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

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

**SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 2014 AND 2013  
(Continued)**

**2. CASH (Continued)**

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity.

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

**Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Port Authority's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. At year-end 2014 and 2013, the carrying amount of the Port Authority's deposits was \$121,037 and \$79,704, respectively. The bank balance of the Port Authority's deposits at December 31, 2014 and 2013 was \$126,630 and \$79,308, respectively. Of the bank balance at year end 2014 and 2013, \$121,037 and \$79,704, respectively was covered by federal depository insurance.

**3. CAPITAL ASSETS/PROPERTY HELD FOR RESALE**

Capital asset activity for the fiscal year ended December 31, 2014 was as follows:

	<b>Balance at <u>12/31/2013</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance at <u>12/31/2014</u></b>
Land held for resale	\$1,038,104	\$159,420	\$ 30,630	\$ 1,166,894
Total	\$1,038,104	\$159,420	\$ 30,630	\$ 1,166,894

Capital asset activity for the fiscal year ended December 31, 2013 was as follows:

	<b>Balance at <u>12/31/2012</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance at <u>12/31/2013</u></b>
Land held for resale	\$1,038,104	\$ -	\$ -	\$ 1,038,104
Total	\$1,038,104	\$ -	\$ -	\$ 1,038,104

**SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 2014 AND 2013  
(Continued)**

**4. NOTES PAYABLE**

Changes in note obligations of the Port Authority during the year ended December 31, 2014 consisted of the following:

	<u>Balance at</u> <u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/14</u>	<u>Due within</u> <u>one year</u>
Scioto County	95,234	0	0	95,234	0

Changes in note obligations of the Port Authority during the year ended December 31, 2013 consisted of the following:

	<u>Balance at</u> <u>12/31/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/13</u>	<u>Due within</u> <u>one year</u>
Scioto County	95,234	0	0	95,234	0

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

To assist private sector in acquiring and constructing facilities deemed to be in the public interest, the Port Authority issued \$10 million in industrial revenue bonds on May 8, 2008. Mortgages on the facilities secure the bonds. The bonds are payable solely from payments received on the underlying mortgage loans. The Port Authority, the State, or any other political subdivision is not obligated in any manner for paying the bonds, which are not reflected in the debt schedule above. The amount of the outstanding debt at December 31, 2014 is \$8,191,247.

**5. DEFINED BENEFIT PENSION PLAN**

The Port Authority's one employee, hired in 2014, participated in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1- 800-222-7377.

**SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 2014 AND 2013  
(Continued)**

**5. DEFINED BENEFIT PENSION PLAN (Continued)**

The ORC provides statutory authority for employee and employer contributions. For 2014, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2014 employer contribution rate for local government employer units was 14.00% of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the Port Authority's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional and Combined Plans was 12.0% for calendar year 2014. The contribution requirements of plan members and the Port Authority are established and may be amended by the OPERS Board. The Port Authority's contributions for pension obligations to OPERS for the year ending December 31, 2014 was \$9,800, which was equal to the required contributions for each year.

**6. POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System ("OPERS")**

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

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

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

**SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 2014 AND 2013  
(Continued)**

**6. POSTEMPLOYMENT BENEFITS (Continued)**

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to healthcare for members in the Traditional and Combined Plans was 2.0% for calendar year 2014.

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

The Port Authority's contributions for health care to the OPERS for the year ending December 31, 2014, was \$1,400, which was equal to the required contributions for each year.

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

**7. RELATED PARTY TRANSACTIONS**

The Port Authority owes \$95,234 to Scioto County at December 31, 2014. The Port Authority is a related organization of Scioto County.

The Port Authority owes J&H Erectors for contract work performed noted on the financial statements as accounts payable. Additionally, Donald Hadsell, owner of J&H Erectors owes the Port Authority for a loan received by Mr. Hadsell from the Port Authority in 2007 related to purchase of property, noted on the financial statements as Loans Receivable.

**8. CONCENTRATION OF CREDIT RISK**

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

**9. RESTATEMENT OF NET POSITION**

Adjustments were necessary to the beginning of year net position balance to correct postings for liabilities. This correction resulted in changes to beginning of year net position as detailed below.

Net Position at December 31, 2012	\$959,688
Improper Posting of Liability paid by Scioto County	60,000
Removal of Liability reported due to Village of New Boston	50,000
Improper reduction of Accounts Payable due to J & H Erectors	(60,275)
Net Position, as Restated	\$1,009,413

**SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 2014 AND 2013  
(Continued)**

**10. CONTINGENCIES**

**Environmental:**

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

**11. RISK MANAGEMENT**

The Port Authority is included in Scioto County's County Risk Sharing Authority Joint Self Insurance Pool formed under Ohio Revised Code Section 2744. It provided for the following:

- comprehensive property and general liability coverage
- Vehicles; and
- Errors and omissions.

During 2014, the Port Authority did not pay for any losses that exceeded insurance coverage. There were also no significant changes in coverage over the past three years.

**12. SUBSEQUENT EVENTS**

On September 10, 2015, the Port Authority approved to enter into a perpetual lease with American Tower for a sum of \$112,500. This agreement transferred land access in the form of an easement from the Port Authority to American Towers so they could place cell phone towers on the land. In exchange for this easement, American Towers paid the Port Authority, \$112,500.

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# 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

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

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Southern Ohio Port Authority, Scioto County, Ohio (the Port Authority) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated May 20, 2016.

### ***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2014-003 and 2014-004 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-001 and 2014-002.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 20, 2016

**SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Finding for Recovery Repaid Under Audit**

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

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

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

On December 18, 2013, the Southern Ohio Port Authority paid for a dinner for board members which included the purchase of alcoholic beverages totaling \$212.05. The Port Authority additionally paid 7.25% tax and a 20% gratuity totaling an additional \$57.78.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Sections 9.24(H)(3) and 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Daniel Cassidy, Secretary-Treasurer, in the amount of \$269 and in favor of the Southern Ohio Port Authority's General Fund.

On April 20, 2016, Daniel Cassidy paid the Southern Ohio Port Authority \$269. The amount paid by Mr. Cassidy pays the above Finding in full.

**Officials' Response:**

Since the Port Authority's funds are a combination of public and private funds the treasurer was not aware that there would have to be a clear delineation to prove that this type of expense was being paid with private funds. The Port Authority has adopted procedures to make certain that future expenses of this nature will not be deemed to be paid with public funds.

## FINDING NUMBER 2014-002

### Noncompliance Citation

**Ohio Rev. Code, § 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard 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 main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Amounts of less than \$3,000 may be paid by the fiscal officer 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 Port Authority.

2. Blanket Certificate – Fiscal officers 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 Port Authority 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 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.

The Port Authority did not certify the availability of funds prior to making commitments for any expenditure. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 that 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, we recommend that the Treasurer certify that 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.

**FINDING NUMBER 2014-002  
(Continued)**

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

**Officials' Response:**

New board members and an executive director were appointed during the audit period. They have adopted and are following new procedures with respect to issuing certificates and purchase orders. However, unfortunately, there were some non-compliant transactions that took place prior to their appointments.

**FINDING NUMBER 2014-003**

**Material Weakness**

The Port Authority approved a \$334,000 Promissory Note for the purchase of property with Donald Hadsell in 2007. Mr.Hadsell agreed to make \$50,000 annual payments beginning August 10, 2007. According to the Promissory Note, if Mr. Hadsell did not make the annual payment within 15 calendar days after its due date, at the option of the Port Authority, the Note shall become due immediately. At December 31, 2012, Mr. Hadsell was \$90,000 delinquent in payments to the Port Authority. No payments were made in 2013 or 2014. The full outstanding loan balance of \$124,000 is due in full.

We recommend the Port Authority follow up and collect the past due amounts along with any possible late charges.

**Officials' Response:**

The current board reviews the situation on a regular basis and is considering all their options but is trying to avoid litigation.

**FINDING NUMBER 2014-004**

**Material Weakness**

Sound financial reporting is the responsibility of the Port Authority Treasurer and Executive Director and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The financial statements had the following errors that required audit adjustment or reclassification:

- Loans Receivable in the amount of \$124,000 was presented as Accounts Receivable in both 2013 and 2014.
- The January 1, 2013 beginning balance included a \$60,000 liability that the Port Authority was not liable for any longer.
- Long Term Liabilities were overstated by a \$50,000 in both 2013 and 2014 for a loan that was no longer due to the Village of New Boston.
- Accounts Payable was understated by \$60,275 in both 2013 and 2014.

**FINDING NUMBER 2014-004  
(Continued)**

- Donated land in the amount of \$155,580 was not recorded by the Port Authority in 2013.
- Deletions of donated land in the amount of \$30,630 was not recorded by the Port Authority in 2013.
- In 2014, the Port Authority did not record \$10,500 in Accounts Payable.
- The Port Authority incorrectly reported \$4,354 of Materials and Supplies as capital assets in 2013.
- Invested in Capital Assets, net of related debt was understated by \$3,840 in 2014.

The audited financial statements and the Port Authority's accounting system have been adjusted for the issues noted above, as appropriate.

We recommend the Port Authority Treasurer ensure the Port Authority's financial statements are complete and accurate.

**Officials' Response:**

Some of these items resulted from opening numbers that were unreliable or indeterminable from an old system. Other items occurred because the books were being maintained on a cash basis by an outside accounting firm. The capitalization of the materials and supplies resulted from a misunderstanding of the memorandum on the transaction and also as a result of adopting a higher threshold level of capitalization. The Port Authority has implemented a full accrual in-house accounting system to rectify these weaknesses.

**SOUTHERN OHIO PORT AUTHORITY  
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-01	Ohio Rev. Code Section 5705.41(D)(1) – Lack of certification of the availability of funds	No	Reissued as 2014-002

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# Dave Yost • Auditor of State

**SOUTHERN OHIO PORT AUTHORITY**

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 7, 2016**