



OHIO AUDITOR OF STATE
KEITH FABER



**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Port Authority of Allen County
Allen County
144 S. Main Street, 2nd Floor
Lima, Ohio 45801

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Port Authority of Allen County, Allen County, Ohio (the PAAC), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Port'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 PAAC'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 PAAC'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority of Allen County, Allen County as of December 31, 2018 and 2017, 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.

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 February 12, 2020, on our consideration of the PAAC'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 PAAC's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 12, 2020

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED**

The discussion and analysis of the Port Authority of Allen County’s (the PAAC) financial performance provides an overall view of the PAAC’s financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the PAAC’s financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the PAAC’s financial performance.

Using This Annual Financial Report

This report consists of three parts, Management’s Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Statement of Net Position – the Statement of Net Position answers the question, “What is our financial position at the end of 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 economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year’s revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the PAAC’s net position for fiscal year 2018 compared to fiscal year 2017.

**Table 1
Net Position**

	<u>2018</u>	<u>2017</u>
Assets:		
Cash	\$ 1,500,991	\$ 1,467,450
Rent Receivable	48,126	0
Deposit for Fixed Asset Option	5,000	0
Depreciable Capital Assets	5,237	6,982
Non-depreciable Capital Assets	<u>4,433,246</u>	<u>4,443,246</u>
Total Assets	<u>5,992,600</u>	<u>5,917,678</u>
LIABILITIES:		
Accounts Payable	40,520	0
Net Position:		
Invested in Capital Assets	4,438,483	4,450,228
Unrestricted	<u>1,513,597</u>	<u>1,467,450</u>
Total Net Position	<u>5,952,080</u>	<u>5,917,678</u>
Total Liabilities and Net Position	<u>\$ 5,992,600</u>	<u>\$ 5,917,678</u>

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED
(Continued)**

Total assets increased by \$74,922 or 1.27% from fiscal year 2017 to 2018. Cash increased by \$33,541 in 2018 over 2017. This was primarily due to a decrease in tax assessments and increased lease revenue.

The Statement of Revenues, Expenses and Changes in Net Position and Table 2 show the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year. That is, it identifies the amount of operating expenses supported by operating funding sources.

The following is a comparison of 2018 with 2017.

**Table 2
Change in Net Position**

	<u>2018</u>	<u>2017</u>
Operating Revenue:		
Railroad Rent	\$ 3,000	\$ 3,000
Railroad Crossing Reimbursement	1,071	0
Lease Income	79,385	50,834
Billboard Agreement	4,800	4,800
Total Operating Revenues	<u>88,256</u>	<u>58,634</u>
Operating Expenses:		
Depreciation	1,745	1,745
Advertising Expense	156	79
Tax Assessments	13,376	46,314
Audit Fees	648	2,243
Insurance Expense	0	200
Professional Fees	3,120	10,428
Office Expense	136	0
Consulting Fees	40,000	41,876
Total Operating Expenses	<u>59,181</u>	<u>102,885</u>
Non-Operating Revenues (Expenses):		
Bank Interest Income	5,936	4,331
Land Purchase Option Income	0	5,000
Contribution In-Kind	0	10,000
Loss on Sale of Assets	<u>(609)</u>	<u>0</u>
Total Non-Operating Revenues (Expenses)	<u>5,327</u>	<u>19,331</u>
Increase (Decrease) in Net Position	34,402	(24,920)
Net Position at Beginning of Year	<u>5,917,678</u>	<u>5,942,598</u>
Net Position at End of Year	<u>\$ 5,952,080</u>	<u>\$ 5,917,678</u>

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED
(Continued)**

Capital Assets

At the end of fiscal years 2018, the PAAC had \$4,438,483 invested in land and infrastructure. The PAAC holds various properties for investment for future sale. See Note 5 for further information.

Contacting The PAAC's Financial Management

This financial report is designed to provide citizens with a general overview of the PAAC's finances and to show the PAAC's accountability for the money it receives. If you have any questions about this report or need additional information contact Ms. Maria Sanko, Chairman of the Port Authority of Allen County, 144 South Main Street, Suite 200 Lima, Ohio 45801 or e-mail at mariasanko@hotmail.com.

**PORT AUTHORITY OF ALLEN COUNTY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018**

ASSETS

CURRENT ASSETS:

Cash - checking	\$	676,906
Cash - savings		759,085
Certificate of deposit		65,000
Farm rent receivable		48,126
Deposit for option to purchase fixed asset		5,000

Total current assets		1,554,117
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NON-CURRENT ASSETS:

Depreciable capital assets, net		5,237
Non-depreciable capital assets		4,433,246

Total non-current assets		4,438,483
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TOTAL ASSETS	\$	5,992,600
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LIABILITIES:

Accounts payable	\$	40,520
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NET POSITION:

Net investment in capital assets		4,438,483
Unrestricted		1,513,597

Total net position		5,952,080
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TOTAL LIABILITIES AND NET POSITION	\$	5,992,600
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See accompanying notes to the basic financial statements.

**PORT AUTHORITY OF ALLEN COUNTY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018**

OPERATING REVENUES:

Railroad rent	\$	3,000
Lease income		79,385
Railroad crossing reimbursement		1,071
Billboard agreement		4,800

Total operating revenues		88,256
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OPERATING EXPENSES:

Depreciation		1,745
Advertising expense		156
Tax assessments		13,376
Audit fees		648
Professional fees		3,120
Office expense		136
Consulting fees		40,000

Total operating expenses		59,181
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OPERATING INCOME (LOSS)		29,075
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NON-OPERATING REVENUES (EXPENSES)

Bank interest income		5,936
Loss on sale of assets		(609)

Total non-operating (expenses) revenues		5,327
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CHANGE IN NET POSITION		34,402
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NET POSITION - BEGINNING OF PERIOD		5,917,678
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NET POSITION - END OF PERIOD	\$	5,952,080
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See accompanying notes to the basic financial statements.

**PORT AUTHORITY OF ALLEN COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from railroad rent	\$	3,000
Cash received from leases		36,059
Miscellaneous cash received		1,071
Cash paid to suppliers		(16,916)
		(16,916)

Cash provided by operating activities 23,214

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received		5,936
		5,936

Cash provided by investing activities 5,936

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Cash received from sale of fixed assets		9,391
Cash paid for option to buy land		(5,000)
		(5,000)

Cash provided by capital and related financing activities 4,391

Net increase in cash 33,541

CASH AT JANUARY 1 1,467,450

CASH AT DECEMBER 31 **\$ 1,500,991**

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$	29,075
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		1,745
(Increase) decrease in:		
Farm rent receivable		(48,126)
Increase (decrease) in:		
Accounts payable		40,520
		40,520

Net cash provided by operating activities **\$ 23,214**

See accompanying notes to the basic financial statements.

PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. Description of Entity

The Port Authority of Allen County, (the PAAC), 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 Allen County including rendering financial and other assistance to such enterprises situated in Allen County and to induce the location in Allen County of other manufacturing, commerce, distribution and research entities; to purchase, subdivide, sell and lease real property in Allen County and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Allen County.

The Port Authority is considered a component unit of Allen County. The Port Authority Board of Directors consists of the number of directors it deems necessary and they are appointed by the Allen County Commissioners. Currently, six Directors serve on the Board.

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

2. Summary of Significant Accounting Policies

The financial statements of the PAAC have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The PAAC also applies Financial Accounting Standards Board (FASB) accounting standards codification, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements.

The more significant of the PAAC's accounting policies are described below.

A. Basis of Presentation

The PAAC's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The PAAC uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses, and change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the PAAC finances and meets the cash flow needs of its enterprise activities.

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The PAAC's financial statements are prepared using the accrual basis of accounting.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the PAAC receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the PAAC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the PAAC on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at yearend.

2. Estimated Resources

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

3. Encumbrances

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

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Depreciable capital assets are amortized using the straight-line method for a period of 38 years. Depreciation expense was \$1,745 for 2018.

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. Summary of Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents

The PAAC'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.

The PAAC's funds are held in checking, savings, and a non-negotiable certificate of deposit accounts.

For the purposes of the statement of cash flows and for presentation on the statement of net position, investments with original maturities of three months or less at the time they are purchased by the PAAC are considered to be cash equivalents.

G. Receivables

Farm rent receivable represents rent for 2018 not received as of December 31, 2018.

H. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances or any borrowings 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 PAAC or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. There were no net position restricted by enabling legislation.

The PAAC applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the PAAC, these revenues are primarily rental income and lease income. Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of the PAAC. Revenues and expenses not meeting this definition are reported as non-operating.

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. Summary of Significant Accounting Policies (Continued)

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

K. Implementation of New Accounting Policies

For the year ended December 31, 2018, the PAAC has implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). These changes were incorporated in the PAAC's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

L. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09 entitled *Revenue from Contracts with Customers (Topic 606)*, which may change The PAAC's method of revenue recognition. The amendments in this ASU are effective for the organization for fiscal years beginning after December 15, 2018 with early adoption permitted. The provisions of this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on the PAAC's financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10)*, which may change the PAAC's recognition, measurement and presentation of certain financial assets and financial liabilities. This new standard is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The provisions of this standard will be applied retroactively. Management has not determined whether this new standard will have a material effect on the PAAC's financial statements.

3. Deposits and Investments

State statues classify monies held by the PAAC in three categories:

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

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

3. Deposits and Investments (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which 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 accounts including passbook accounts.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 any other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment pool (STAR Ohio and STAR Plus);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty- five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

3. Deposits and Investments (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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the PAAC, 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 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 bank failure, the PAAC's deposits may not be returned. Protection of the PAAC's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits.

At December 31, 2018, the carrying amount of the PAAC's deposits was \$1,500,991. The PAAC's deposits were not fully insured by Federal depository insurance for 2018. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures at December 31, 2018, the PAAC's bank balances of \$1,254,988 were fully insured.

The PAAC has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the PAAC or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

4. Risk Management

The PAAC is covered under Allen County's umbrella policy for liability and public employee dishonesty purposes.

5. Capital Assets

The PAAC had \$4,433,246 in non-depreciable capital assets at December 31, 2018. This was composed of various land properties in Allen County which are being held as investments for future sale.

Capital assets included the following:

In July of 1998, the Allen County Commissioners deeded land with a building (which was torn down) to the PAAC which was recorded at fair market value. The total value recorded was \$318,300. This land was leased to Allen County Properties for the construction and operation of a hotel in downtown Lima. The lease is for 99 years at \$1.00 per year.

Railway -The PAAC holds approximately 44 percent interest in a railway which it leases to a private railroad company. Monthly rental fees are \$200. The lease is year-to-year until terminated by either party. The recorded value is \$33,164 for the land and a historical cost of \$66,327 for the track. Total accumulated depreciation on the track for 2018 was \$61,090.

Shawnee Industrial Park - The Allen County Commissioners have deeded land to the PAAC to be used for economic development. All land deeded has been recorded at the fair market value at the date of the transfer. A schedule of the recorded values (net of donations) is as follows:

<u>Year Deeded</u>	<u>FMV-Net</u>
1999	\$ 189,000
2010	2,689,403
2015	<u>1,057,691</u>
Total Value	<u><u>\$ 3,936,094</u></u>

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

6. Operating Leases

The PAAC leases a portion of its property for advertising purposes under a non-cancelable operating lease beginning October 1, 2014 with a term of twenty years. The annual lease income is \$4,800 per year.

In October 2014, the Port Authority entered into a lease agreement of seven parcels of farm land for agricultural purposes only. The term of the lease is for five years and is set to expire December 31, 2019. The annual lease income for the lease is \$79,385 for 2018, respectively.

7. In-Kind Donation

Land was donated to the PAAC during 2017. The value recorded at the date of donation was \$10,000. The land was sold during 2018 for \$9,391.

8. Functional Expenses

The Organization's functional expenses for 2018 are as follows:

<u>Description</u>	<u>Program</u>	<u>Administration</u>	<u>Total</u>
Depreciation	\$ 1,745	\$ 0	\$ 1,745
Advertising expense	156	0	156
Tax Assessments	13,376	0	13,376
Audit fees	0	648	648
Professional fees	0	3,120	3,120
Consulting	40,000	0	40,000
Office expense	<u>0</u>	<u>136</u>	<u>136</u>
Total	<u>\$ 55,277</u>	<u>\$ 3,904</u>	<u>\$ 59,181</u>

9. Financial Assets

The PAAC's financial assets at December 31, 2018 totaled \$1,500,991, and are available for general use. As part of the PAAC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

The discussion and analysis of the Port Authority of Allen County’s (the PAAC) financial performance provides an overall view of the PAAC’s financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the PAAC’s financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the PAAC’s financial performance.

Using This Annual Financial Report

This report consists of three parts, Management’s Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Statement of Net Position – the Statement of Net Position answers the question, “What is our financial position at the end of 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 economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year’s revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the PAAC’s net position for fiscal year 2017 compared to fiscal year 2016.

**Table 1
Net Position**

	<u>2017</u>	<u>2016</u>
Assets:		
Cash	\$ 1,467,450	\$ 1,500,625
Depreciable Capital Assets	6,982	8,727
Non-depreciable Capital Assets	<u>4,443,246</u>	<u>4,433,246</u>
Total Assets	<u><u>5,917,678</u></u>	<u><u>5,942,598</u></u>
Net Position:		
Invested in Capital Assets	4,450,228	4,441,973
Unrestricted	<u>1,467,450</u>	<u>1,500,625</u>
Total Net Position	<u><u>5,917,678</u></u>	<u><u>5,942,598</u></u>
Total Liabilities and Net Position	<u><u>\$ 5,917,678</u></u>	<u><u>\$ 5,942,598</u></u>

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(Continued)**

Total assets decreased by \$24,920 or 0.42% from fiscal year 2016 to 2017. Cash decreased \$33,175 in 2017 over 2016. This was primarily due to an increase in tax assessments and consulting fees paid.

The Statement of Revenues, Expenses and Changes in Net Position and Table 2 show the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year. That is, it identifies the amount of operating expenses supported by operating funding sources.

The following is a comparison of 2017 with 2016.

**Table 2
Change in Net Position**

	<u>2017</u>	<u>2016</u>
Operating Revenue:		
Railroad Rent	\$ 3,000	\$ 3,000
Lease Income	50,834	54,212
Billboard Agreement	4,800	0
Total Operating Revenues	<u>58,634</u>	<u>57,212</u>
Operating Expenses:		
Depreciation	1,745	1,746
Advertising Expense	79	277
Tax Assessments	46,314	25,328
Audit Fees	2,243	0
Insurance Expense	200	0
Professional Fees	10,428	25,365
Consulting Fees	41,876	24,693
Meeting Expense	0	418
Bank Fees	0	124
Dues	0	100
Total Operating Expenses	<u>102,885</u>	<u>78,051</u>
Non-Operating Revenues (Expenses):		
Bank Interest Income	4,331	1,960
Land Purchase Option Income	5,000	10,000
Contribution In-Kind	10,000	0
Loss on Sale of Assets	0	(61,012)
Bad Debt	0	(256,174)
Bond Issuance Fee	0	40,000
Total Non-Operating Revenues (Expenses)	<u>19,331</u>	<u>(265,226)</u>
Increase (Decrease) in Net Position	(24,920)	(286,065)
Net Position at Beginning of Year	<u>5,942,598</u>	<u>6,228,663</u>
Net Position at End of Year	<u>\$ 5,917,678</u>	<u>\$ 5,942,598</u>

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(Continued)**

Capital Assets

At the end of fiscal year 2017, the PAAC had \$4,450,228 invested in land and infrastructure. The PAAC holds various properties for investment for future sale. See Note 6 for further information.

Contacting The PAAC's Financial Management

This financial report is designed to provide citizens with a general overview of the PAAC's finances and to show the PAAC's accountability for the money it receives. If you have any questions about this report or need additional information contact Ms. Maria Sanko, Chairman of the Port Authority of Allen County, 144 South Main Street, Suite 200 Lima, Ohio 45801 or e-mail at mariasanko@hotmail.com.

**PORT AUTHORITY OF ALLEN COUNTY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017**

ASSETS

CURRENT ASSETS:

Cash - checking	\$	647,151
Cash - savings		755,299
Certificate of deposit		65,000
		1,467,450
Total current assets		1,467,450

NON-CURRENT ASSETS:

Depreciable capital assets, net		6,982
Non-depreciable capital assets		4,443,246
		4,450,228
Total non-current assets		4,450,228

TOTAL ASSETS

\$ 5,917,678

NET POSITION:

Net investment in capital assets	\$	4,450,228
Unrestricted		1,467,450
		5,917,678
Total net position		5,917,678

TOTAL LIABILITIES AND NET POSITION

\$ 5,917,678

See accompanying notes to the basic financial statements.

**PORT AUTHORITY OF ALLEN COUNTY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017**

OPERATING REVENUES:

Railroad rent	\$	3,000
Lease income		50,834
Billboard agreement		4,800

Total operating revenues		58,634
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OPERATING EXPENSES:

Depreciation		1,745
Advertising expense		79
Tax assessments		46,314
Audit fees		2,243
Insurance expense		200
Professional fees		10,428
Consulting fees		41,876

Total operating expenses		102,885
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OPERATING INCOME (LOSS)		(44,251)
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NON-OPERATING REVENUES (EXPENSES)

Bank interest income		4,331
Contribution in-kind		10,000
Land purchase option income		5,000

Total non-operating (expenses) revenues		19,331
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CHANGE IN NET POSITION		(24,920)
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NET POSITION - BEGINNING OF PERIOD - RESTATED		5,942,598
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NET POSITION - END OF PERIOD		\$ 5,917,678
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See accompanying notes to the basic financial statements.

**PORT AUTHORITY OF ALLEN COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from railroad rent	\$	3,000
Cash received from leases		55,634
Cash paid to suppliers		<u>(101,140)</u>
Cash used by operating activities		(42,506)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received		<u>4,331</u>
Cash provided by investing activities		<u>4,331</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Cash received from sale of fixed assets		<u>5,000</u>
Cash provided by capital and related financing activities		<u>5,000</u>
Net decrease in cash		(33,175)

CASH AT JANUARY 1		<u>1,500,625</u>
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CASH AT DECEMBER 31	\$	<u><u>1,467,450</u></u>
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**RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES:**

Operating loss	\$	(44,251)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		<u>1,745</u>
Net cash used by operating activities	\$	<u><u>(42,506)</u></u>

See accompanying notes to the basic financial statements.

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Description of Entity

The Port Authority of Allen County, (the PAAC), 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 Allen County including rendering financial and other assistance to such enterprises situated in Allen County and to induce the location in Allen County of other manufacturing, commerce, distribution and research entities; to purchase, subdivide, sell and lease real property in Allen County and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Allen County.

The Port Authority Board of Directors consists of the number of directors it deems necessary and they are appointed by the Allen County Commissioners. Currently, six directors serve on the Board.

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

2. Summary of Significant Accounting Policies

The financial statements of the PAAC have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The PAAC also applies Financial Accounting Standards Board (FASB) accounting standards codification, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements.

The more significant of the PAAC's accounting policies are described below.

A. Basis of Presentation

The PAAC's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The PAAC uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the PAAC finances and meets the cash flow needs of its enterprise activities.

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The PAAC's financial statements are prepared using the accrual basis of accounting.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the PAAC receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the PAAC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the PAAC on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at yearend.

2. Estimated Resources

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

3. Encumbrances

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

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Depreciable capital assets are amortized using the straight-line method for a period of 38 years.

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. Summary of Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents

The PAAC'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.

The PAAC's funds are held in checking, savings, and a non-negotiable certificate of deposit accounts.

For the purposes of the statement of cash flows and for presentation on the statement of net position, investments with original maturities of three months or less at the time they are purchased by the PAAC are considered to be cash equivalents.

G. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances or any borrowings 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 PAAC or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. There were no net position restricted by enabling legislation.

The PAAC applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the PAAC, these revenues are primarily rental income and lease income. Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of the PAAC. Revenues and expenses not meeting this definition are reported as non-operating.

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. Summary of Significant Accounting Policies (Continued)

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

J. Implementation of New Accounting Policies

For the year ended December 31, 2017, the PAAC has implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the PAAC.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the PAAC.

K. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09 entitled *Revenue from Contracts with Customers (Topic 606)*, which may change The PAAC's method of revenue recognition. The amendments in this ASU are effective for the organization for fiscal years beginning after December 15, 2018 with early adoption permitted. The provisions of this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on the PAAC's financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10)*, which may change the PAAC's recognition, measurement and presentation of certain financial assets and financial liabilities. This new standard is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The provisions of this standard will be applied retroactively. Management has not determined whether this new standard will have a material effect on the PAAC's financial statements.

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

3. Restatement Note

During 2017, it was determined that Notes Receivable - D'Arcy in the enterprise fund was not a valid receivable during 2017 or the preceding 2016 fiscal year. The restatements had the following effect on fund equity as it was previously reported:

<u>Enterprise</u>	
Net Position, December 31, 2016	\$ 5,960,598
Notes Receivable – D'Arcy	<u>(18,000)</u>
Restated Net Position December 31, 2016	<u>\$ 5,942,598</u>

4. Deposits and Investments

State statues classify monies held by the PAAC in three categories:

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

Interim deposits are deposits of interim monies. Interim monies are those monies which 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 accounts including passbook accounts.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 any other obligations of the State of Ohio, or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

4. Deposits and Investments (Continued)

6. The State Treasurer's Investment pool (STAR Ohio and STAR Plus);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty- five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the PAAC, 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 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 bank failure, the PAAC's deposits may not be returned. Protection of the PAAC's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits.

At December 31, 2017, the carrying amount of the PAAC's deposits was \$1,467,450. The PAAC's deposits were not fully insured by Federal depository insurance for 2017. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures at December 31, 2017, the PAAC's bank balances of \$1,249,102 were fully insured.

The PAAC has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the PAAC or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

5. Risk Management

The PAAC is covered under Allen County's umbrella policy for liability and public employee dishonesty purposes.

6. Capital Assets

The PAAC had \$4,443,246 in non-depreciable capital assets at December 31, 2017. This was composed of various land properties in Allen County which are being held as investments for future sale.

Capital assets included the following:

Market Street Property- During November 1997, the Allen County Commissioners deeded land to the PAAC which was recorded at fair market value. In July of 1998, the Allen County Commissioners deeded additional land with a building (which was torn down) to the PAAC which was also recorded at fair market value. The total value recorded was \$318,300. This land was leased to Allen County Properties for the construction and operation of a hotel in downtown Lima. The lease is for 99 years at \$1.00 per year.

Railway -The PAAC holds approximately 44 percent interest in a railway which it leases to a private railroad company. Monthly rental fees are \$200. The lease is year-to-year until terminated by either party. The recorded value is \$33,164 for the land and a historical cost of \$66,327 for the track. Total accumulated depreciation on the track for 2017 was \$59,345.

Shawnee Industrial Park - The Allen County Commissioners have deeded land to the PAAC to be used for economic development. All land deeded has been recorded at the fair market value at the date of the transfer. A schedule of the recorded values (net of donations) is as follows:

<u>Year Deeded</u>	<u>FMV-Net</u>
1999	\$ 189,000
2010	2,689,403
2015	<u>1,057,691</u>
Total Value	<u>\$ 3,936,094</u>

**PORT AUTHORITY OF ALLEN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

7. Operating Leases

The PAAC leases a portion of its property for advertising purposes under a non-cancelable operating lease beginning October 1, 2014 with a term of twenty years. The annual lease income is \$4,800 per year.

In October 2014, the Port Authority entered into a lease agreement of seven parcels of farm land for agricultural purposes only. The term of the lease is for five years and is set to expire December 31, 2019. The annual lease income for the lease is \$50,634 for 2017.

8. In-Kind Donation

Land was donated to the PAAC during 2017. The value recorded at the date of donation was \$10,000.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Port Authority of Allen County
Allen County
144 S. Main Street, 2ND Floor
Lima, Ohio 45801

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 Port Authority of Allen County, Allen County, (the PAAC) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the PAAC's basic financial statements and have issued our report thereon dated February 12, 2020.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the PAAC'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 PAAC'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 PAAC'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 PAAC's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

February 12, 2020

**PORT AUTHORITY OF ALLEN COUNTY
ALLEN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2018-001

Material Weakness – Accuracy of 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. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph.101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following errors were identified in the financial statements for the years ended December 31, 2018 and 2017:

2018:

- Lease income and farm rent receivable were overstated by \$2,508;
- Bad debt expense was overstated by \$18,000;
- Accounts payable was understated by \$40,520, consulting fees were understated by \$40,000, and professional fees were understated by \$520;
- Interest received in the amount of \$5,936 was classified as cash flows from operating activities instead of cash flows from investing activities; and
- Cash from the sale of an asset in the amount of \$9,391, and cash paid for the option to purchase land in the amount of \$5,000 were classified cash flows from investing activities instead of cash flows from capital and related financing activities.

2017:

- Note Receivable - D'Arcy was overstated by \$18,000 which also impacted net position - beginning of period which resulted in a restatement of the beginning net position.

The 2018 and 2017 Management's Discussion and Analysis and the Notes to the Financial Statements had errors, such as, but not limited to, discussion and/or disclosures on deposits and investments, and capital assets.

The accompanying Management's Discussion and Analysis, Financial Statements, and Notes to the Financial Statements have been adjusted to correct these recording errors.

The PAAC contracted with an accounting firm to maintain the accounting records and to prepare the annual compilation. This firm provided monthly financial reports to the Board for review, however, there was a lack of evidence that the Board reviewed these reports which may have contributed to the financial reporting errors identified above.

The understatement of the value of a certificate of deposit on the Statement of Net Position at December 31, 2018 and 2017, in the amount of \$4,402 and \$3,258, respectively, was not adjusted in the accompanying financial statements. This understatement was the result of not recording interest earned and rolled into the certificate of deposit by the bank. The failure to record this interest may have been due to the certificate of deposit not being included in the bank to book reconciliation.

**FINDING NUMBER 2018-001
(Continued)**

Errors in the Management's Discussion and Analysis, Financial Statements, and Notes to the Financial Statements, and not including all deposit accounts on the bank to book reconciliations, inhibit the ability of the Secretary/Fiscal Officer and Board to monitor financial activity and to identify, analyze, and react to risks to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the PAAC. In addition, such errors reduce the likelihood that irregularities are detected in a timely manner.

The Secretary/Fiscal Officer and Members of the Board should review the errors identified above and develop procedures and/or controls to help detect the errors prior to completion of the annual compilation. Procedures and controls could include but not be limited to the review and approval of the financial information provided by the accounting firm including monthly bank to book reconciliations. If deemed necessary additional information or more detailed information should be requested for review and approval. In addition, a periodic review of rental and lease contracts, assets, and liabilities should be performed during the year to help identify issues prior to completion of the annual compilation.

OFFICIALS' RESPONSE

We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



PORT AUTHORITY OF ALLEN COUNTY

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2020**