



OHIO AUDITOR OF STATE  
**KEITH FABER**





**MONROE COUNTY PORT AUTHORITY  
DECEMBER 31, 2020 AND 2019**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type as of and for the years ended December 31, 2020, 2019 and 2018, and related notes of the Monroe County Port Authority, Monroe County, Ohio (the Authority).

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority, as of December 31, 2020, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, as of and for the years ended December 31, 2020, 2019, and 2018, and related notes of the Authority, in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 12 to the financial statements for 2020 and Note 8 to the financial statements for 2019 and 2018, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2022, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 1, 2022

**MONROE COUNTY PORT AUTHORITY  
MONROE COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS,  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Cash Receipts**

Rental Income	\$	148,534
Property Sales and Options		3,000,000
Utility Reimbursement		10,830
Miscellaneous		5,823
		5,823

Total Cash Receipts		3,165,187
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**Cash Disbursements**

Professional Services		57,827
Real Estate Taxes		43,860
Miscellaneous		1,586
Property and Equipment Purchases		49,605
Repairs and Maintenance		5,957
License and Fees		1,500
Insurance		6,223
Legal		28,458
Loan Fees		4,694
Utilities		12,672
Debt Payments:		
Principal Retirement		1,659,083
Interest and Fiscal Charges		143,369
		143,369

Total Cash Disbursements		2,014,834
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Total Cash Receipts Over Cash Disbursements		1,150,353
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Fund Cash Balance January 1		420,828
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Fund Cash Balance December 31	\$	1,571,181
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The notes to the financial statements are an integral part of this statement.

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**Monroe County Port Authority**  
Monroe County, Ohio  
Notes to the Financial Statements  
For the Year Ending December 31, 2020

**Note 1 – Reporting Entity**

The Monroe County Port Authority, Monroe County, Ohio, (the Authority) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority operates under the direction of a five-member Board of Directors. The Board is appointed by the Monroe County Commissioners. The Authority is authorized to purchase, construct, sell, lease and operate facilities within its jurisdiction as enumerated in Ohio Revised Code sections 4582.21 through 4582.59.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Authority are presented below:

***General Fund***

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

***Basis of Accounting***

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

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

***Budgetary Process***

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

**Monroe County Port Authority**  
Monroe County, Ohio  
Notes to the Financial Statements  
For the Year Ending December 31, 2020

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Authority Governing Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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

A summary of the 2020 budgetary activity appears in Note 4.

**Capital Assets**

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

**Fund Balance**

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

**Nonspendable** The Authority classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Authority and the nonspendable portion of the corpus in permanent funds.

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

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

**Monroe County Port Authority**  
 Monroe County, Ohio  
 Notes to the Financial Statements  
 For the Year Ending December 31, 2020

**Note 2 – Summary of Significant Accounting Policies (Continued)**

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

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$1,521,710 for the year ended December 31, 2020.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgetary vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	<u>\$293,800</u>	<u>\$3,165,187</u>	<u>\$2,871,387</u>

2020 Budgetary vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	<u>\$493,124</u>	<u>\$2,014,834</u>	<u>(\$1,521,710)</u>

**Note 5 – Deposits**

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

Demand deposits	<u>2020</u> <u>\$1,571,181</u>
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***Deposits***

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

**Note 6 – Land Sale**

On March 26, 2020, the Authority sold the Clarrington property (Promissory Note 1) to Ohio-West Virginia Excavating Co. for \$3,000,000.00. The agreement also included a commitment to create 60 jobs on the site. Promissory Note 1 was paid in full.

**Monroe County Port Authority**  
 Monroe County, Ohio  
 Notes to the Financial Statements  
 For the Year Ending December 31, 2020

**Note 7 – Risk Management**

***Commercial Insurance***

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

**Note 8 – Debt**

Debt outstanding at December 31, 2020 is as follows:

	Principal	Interest Rate
Promissory Note	<u>\$1,920,329</u>	5.65%

The Promissory Note relates to the purchase of land acquired by the Authority. The note is payable in monthly installments at an annual percentage rate of 5.65%, with a final balloon payment due June 28, 2023. The note is supported by the full faith and credit of the Authority. The interest rate on this loan was lowered to 3.70% beginning with the July 2021 payment.

***Amortization***

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

Year Ending December 31:	Promissory Note
2021	204,430
2022	193,327
2023	<u>1,702,601</u>
Totals	<u>\$2,100,358</u>

**Note 9 – Commercial Leases**

**A. Broadband**

The Authority assumed a two-year lease with The Guernsey, Monroe and Noble Tri-County CAC (GMN) for the purpose of housing the Broadband Community Center located in the BWC. The lease may be cancelled upon 90 days written notice. The lease contains a two-year renewal option.

The lease amount was \$1,000 plus utilities for 2020.

**B. AK Apparel LLC**

The Authority assumed a lease with AK Apparel LLC. They occupy the warehouse and office space at the BWC.

The lease amount was \$3,200 plus utilities for 2020.

**Monroe County Port Authority**  
Monroe County, Ohio  
Notes to the Financial Statements  
For the Year Ending December 31, 2020

**Note 9 – Commercial Leases (Continued)**

**C. Monroe County Public Transportation**

The Authority entered into a lease agreement with Monroe County Public Transportation (MCPT) for the purpose of office space and parking of transportation vans in October 2020.

The lease is for three years at an amount of \$1,000 plus utilities for 2020.

**D. Borghese Lane**

The Authority entered into a lease agreement with Borghese Lane in January 2019 at their Powhatan 7 Property for barge cell use. The lease is annual for \$10,000 per month with the option to renew.

**Note 10 – Mineral Lease**

The Authority assumed on half of the mineral rights on the Cochransville Property as a condition of the transfer of assets by the CIC. The current lease is with XTO Energy, Inc. (Lessee). The principal terms of the lease are as follows: 19.655 acres of land were leased with a twenty percent (20.00%) royalty on all oil and gas extracted. The current five-year option runs through December 2022.

**Note 11 – Grants**

**Ohio SE Economic Development Grant**

Received September 2020, a 1:1 reimbursable matching grant in the amount of \$15,865 for the purpose of assisting in a rail spur design at the Powhatan #7 site. As of December 31, 2020, \$18,500 has been expended with no reimbursements received.

**ODOT Maritime Assistance Program/OSDA Rural Industrial Park Loan**

Approved December 2020, a 1:1 matching grant for \$1,500,000 and subsequent loan repayment program after the project has been completed to repair barge cells and build an access road on the Powhatan #7 property. As of December 31, 2020, no money has been expensed or received.

**Note 12 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Authority. The impact on the Authority's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**Monroe County Port Authority**  
Monroe County, Ohio  
Notes to the Financial Statements  
For the Year Ending December 31, 2020

**Note 13 – Subsequent Event**

On August 23, 2021, the Authority entered into a Real Estate and Purchase Contract with Hannibal Real Estate, LLC and Artco Real Estate, LLC (seller) for the acquisition of certain real property and improvements located in Monroe County, Ohio for a purchase price of \$25,000,000. The Authority will borrow from Seller funds in the amount of \$22,000,000 for the purpose of paying costs of the project and developing the property and to execute and deliver such other agreements, instruments and documents as may be necessary or desirable to provide for the project and/or the Seller financing. The remainder of the financing will come from various other sources.

**MONROE COUNTY PORT AUTHORITY  
MONROE COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS,  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash Receipts</b>		
Rental Income	\$ 367,708	\$ 268,507
Water Sales	-	404,317
Unrestricted Grants	10,000	22,500
Property Sales and Options	5,000	-
Utility Reimbursement	7,303	-
Miscellaneous	8,428	10,000
	<hr/>	<hr/>
Total Cash Receipts	398,439	705,324
	<hr/>	<hr/>
<b>Cash Disbursements</b>		
Professional Services	117,789	296,359
Real Estate Taxes	20,912	3,516
Miscellaneous	1,087	15,133
Property Purchases	-	2,262,160
Repairs and Maintenance	7,150	-
License and Fees	2,897	-
Insurance	11,969	-
Loan Fees	-	41,636
Utilities	9,793	-
Debt Payments:		
Principal Retirement	191,898	132,500
Interest and Fiscal Charges	200,533	151,266
	<hr/>	<hr/>
Total Cash Disbursements	564,028	2,902,570
	<hr/>	<hr/>
Total Cash Receipts (Under) Cash Disbursements	(165,589)	(2,197,246)
	<hr/>	<hr/>
<b>Other Financing Receipts</b>		
Donated Assets	89,570	-
Proceeds from Loan Advance	-	2,165,250
	<hr/>	<hr/>
Total Other Financing Receipts	89,570	2,165,250
	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(76,019)	(31,996)
	<hr/>	<hr/>
Fund Cash Balance January 1	496,847	528,843
	<hr/>	<hr/>
Fund Cash Balance December 31		
Restricted	53,883	
Assigned	199,324	
Unassigned	167,621	496,847
	<hr/>	<hr/>
Fund Cash Balance December 31	\$ 420,828	\$ 496,847
	<hr/> <hr/>	<hr/> <hr/>

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

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**Monroe County Port Authority**  
Monroe County, Ohio  
Notes to the Financial Statements  
For the Years Ending December 31, 2019 and 2018

**Note 1 – Reporting Entity**

The Monroe County Port Authority, Monroe County, Ohio, (the Authority) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority operates under the direction of a five-member Board of Directors. The Board is appointed by the Monroe County Commissioners. The Authority is authorized to purchase, construct, sell, lease and operate facilities within its jurisdiction as enumerated in Ohio Revised Code sections 4582.21 through 4582.59.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Authority are presented below:

***General Fund***

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

***Basis of Accounting***

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

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

***Budgetary Process***

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

**Monroe County Port Authority**  
Monroe County, Ohio  
Notes to the Financial Statements  
For the Years Ending December 31, 2019 and 2018

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Authority Governing Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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

A summary of the 2019 and 2018 budgetary activity appears in Note 4.

**Capital Assets**

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

**Fund Balance**

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

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*.

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

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

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$66,020 for the year ended December 31, 2019 and \$2,902,570 for the year ended December 31, 2018.

**Monroe County Port Authority**  
 Monroe County, Ohio  
 Notes to the Financial Statements  
 For the Years Ending December 31, 2019 and 2018

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgetary vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	<u>\$416,000</u>	<u>\$488,009</u>	<u>\$ 72,009</u>

2019 Budgetary vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	<u>\$498,008</u>	<u>\$564,028</u>	<u>(\$66,020)</u>

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

2018 Budgetary vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	<u>\$0</u>	<u>\$2,870,574</u>	<u>\$2,870,574</u>

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

**Note 5 – Deposits**

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

	2019	2018
Demand deposits	<u>\$420,828</u>	<u>\$496,847</u>

***Deposits***

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

**Note 6 – Risk Management**

***Commercial Insurance***

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

**Monroe County Port Authority**  
 Monroe County, Ohio  
 Notes to the Financial Statements  
 For the Years Ending December 31, 2019 and 2018

**Note 7 – Debt**

Debt outstanding at December 31, 2019 and 2018 were as follows:

	2019		2018	
	Principal	Interest Rate	Principal	Interest Rate
Promissory Note 1	\$1,044,989	5.00%	\$1,086,666	5.00%
Promissory Note 2	512,119	6.00%	561,576	6.00%
Promissory Note 3	<u>2,022,382</u>	5.65%	<u>2,119,073</u>	5.65%
Totals	<u>\$3,579,490</u>		<u>\$3,767,315</u>	

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

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

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

***Amortization***

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

Year Ending December 31:	Promissory Note 1	Promissory Note 2	Promissory Note 3
2020	\$95,034	\$80,949	\$215,532
2021	95,034	80,949	218,206
2022	95,034	80,949	220,879
2023	95,034	80,949	1,753,747
2024	95,034	80,949	0
2025-2029	475,168	242,845	0
2030-2034	475,168	0	0
2035	<u>95,034</u>	<u>0</u>	<u>0</u>
Totals	<u>\$1,520,540</u>	<u>\$647,590</u>	<u>\$2,408,364</u>

**Note 8 – Subsequent Events**

1. On August 23, 2021, the Authority entered into a Real Estate and Purchase Contract with Hannibal Real Estate, LLC and Artco Real Estate, LLC (seller) for the acquisition of certain real property and improvements located in Monroe County, Ohio for a purchase price of \$25,000,000. The Authority will borrow from Seller funds in the amount of \$22,000,000 for the purpose of paying costs of the project and developing the property and to execute and deliver such other agreements, instruments and documents as may be necessary or desirable to provide for the project and/or the Seller financing. The remainder of the financing will come from various other sources.

**Monroe County Port Authority**  
Monroe County, Ohio  
Notes to the Financial Statements  
For the Years Ending December 31, 2019 and 2018

**Note 8 – Subsequent Events (Continued)**

2. On March 26, 2020, the Authority sold the Clarington property (Promissory Note 1) to Hendershot Properties LLC for \$3,000,000.00. The agreement also included a commitment to create 60 jobs on the site. Promissory Note 1 was paid in full.
3. The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Authority. The impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.
4. On March 19, 2019, the Community Improvement Corporation of Monroe County transferred ownership of the Black Walnut Center in Woodsfield, Ohio along with its operating cash account and 40.774 acres of land on the eastern border of the county to the Authority.

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# OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type as of and for the years ended December 31, 2020, 2019 and 2018, and related notes of the Monroe County Port Authority, Monroe County, Ohio (the Authority), and have issued our report thereon dated February 1, 2022, wherein we noted the Authority followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Authority.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2020-005 a material weakness.

**Compliance and Other Matters**

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. 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 2020-001 through 2020-004.

**Authority's Response to Findings**

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

**Purpose of this Report**

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



Keith Faber  
Auditor of State  
Columbus, Ohio

February 1, 2022



**MONROE COUNTY PORT AUTHORITY  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2020-001**

**Noncompliance**

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

During 2020 and 2019, the Authority made principal payments on outstanding promissory notes in the amount of \$1,659,086 and \$191,898, respectively. The promissory note was used by the Authority to purchase property.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. The Authority had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Authority.

The Authority should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

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

**FINDING NUMBER 2020-002**

**Noncompliance**

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

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

The Authority's checking account balances from March 27, 2020 through July 30, 2020 exceeded Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000 and additional collateral obtained of \$1,664,106. During this time the checking account balances ranged from \$2,153,132 to \$2,229,790.

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

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

**MONROE COUNTY PORT AUTHORITY  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2020-002  
(Continued)**

**Noncompliance - Ohio Rev. Code § 135.18(A) (Continued)**

**Officials' Response:** A new collateral public funds agreement was signed on 03/17/2020 to increase the collateral to \$2.5 million.

**FINDING NUMBER 2020-003**

**Noncompliance**

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

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Authority had expenditures in excess of appropriations of \$1,521,710 and \$66,020, as of December 31, 2020 and 2019, respectively.

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

The Board of Directors should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**Officials' Response:** We have entered into an agreement with Perry & Assoc. to take over monthly and year-end financial reporting including tracking of budgetary numbers as of reporting year 12/31/21 and monthly as of 01/01/2022.

**FINDING NUMBER 2020-004**

**Noncompliance**

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

The Authority did not use the encumbrance method of accounting for the periods ended December 31, 2020 and 2019. The Authority did not use purchase orders during the expenditure process to certify the availability of funds. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**MONROE COUNTY PORT AUTHORITY  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2020-004  
(Continued)**

**Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)**

Also, the Authority's accounting system did not allow for integration of budget information or encumbrances. Budgeted amounts of receipts and disbursements integrated into the Authority's accounting system would allow for meaningful comparisons between the budget and actual figures.

To improve controls over disbursements and to help reduce the possibility of the Authority's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Authority. Also, the Authority should integrate budget information into the accounting system so the Board can properly monitor budget vs actual activity.

**Officials' Response:** We have entered into an agreement with Perry & Assoc. to take over monthly and year-end financial reporting including tracking of budgetary numbers as of reporting year 12/31/21 and monthly as of 01/01/2022.

**FINDING NUMBER 2020-005**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

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

Also, the Authority did not properly classify its December 31, 2020 and 2019 governmental fund cash balance in accordance with Governmental Accounting Standards Board (GASB) *Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

We noted the following:

- Donated Assets was incorrectly posted as revenue in the amount of \$500 instead of being included in the beginning fund balance in 2020.
- The General Fund amount appropriated over estimated receipts in the next fiscal year was classified as Unassigned rather than Assigned in the amount of \$199,324 in 2019
- Checks written to establish two checking accounts with Wesbanco were incorrectly recorded as expenditures in the total amount of \$54,385 in 2019. Therefore, Unassigned Fund Balance and Restricted Fund Balance was understated by \$502 and \$53,883, respectively in 2019.
- Fund Balance was understated by \$54,385 in 2020 due to the above error in 2019.
- The General Fund's cash balance of \$1,571,181 at December 31, 2020 was improperly classified as Unassigned when no fund balance classifications are required to be reported.

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

**MONROE COUNTY PORT AUTHORITY  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2020-005  
(Continued)**

**Material Weakness (Continued)**

We also noted Interest and Fiscal Charges was understated and Principal Retirement was overstated in the amount of \$4,074 in 2019. As this error is not significant to the opinion unit affected, the adjustment was agreed to by management but will not be posted to the financial statements.

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

The Fiscal Officer should develop internal control procedures and utilize available authoritative resources to ensure the financial statements of the Authority accurately classify and record all receipt and expenditure transactions. Also, the Authority Fiscal Officer may refer to Auditor of State Bulletin 2020-008 for additional guidance regarding fund balance classification reporting revisions.

**Officials' Response:** We have entered into an agreement with Perry & Assoc. to take over monthly and year-end financial reporting as of reporting year 12/31/21 and monthly as of 01/01/2022.



# Monroe County Port Authority

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2020 AND 2019

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2018-001	Ohio Rev. Code § 5705.28(B)(2) and 5705.41(D)(1) for budgetary laws not followed.	Partially Corrected	We have entered into an agreement with Perry & Assoc. to take over monthly and year-end financial reporting including tracking of budgetary numbers as of reporting year 12/31/21 and monthly as of 01/01/2022.
2018-002	Ohio Rev. Code § 135.18(A) for inadequate collateral obtained.	Not Corrected	A new collateral agreement was signed on 03/17/2020 to increase the collateral to \$2.5 million.
2018-003	Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. In 2015, the Authority signed a promissory note with a local bank that was not allowed per Ohio Rev. Code Chapter 133.	Not Corrected	The MCPA's interpretation of Ohio Revised Code Chapter 133.01's definition of securities includes the current real estate debt instruments utilized by the MCPA.
2018-004	Material Weakness for posting errors relating to property purchase and grants.	Partially Corrected	We have entered into an agreement with Perry & Assoc. to take over monthly and year-end financial reporting as of reporting year 12/31/21 and monthly as of 01/01/2022.

# OHIO AUDITOR OF STATE KEITH FABER



**MONROE COUNTY PORT AUTHORITY**

**MONROE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/22/2022**

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This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)