



**REGIONAL PORT AUTHORITY OF NORTHWEST OHIO
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

**REGIONAL PORT AUTHORITY OF NORTHWEST OHIO
DEFIANCE COUNTY**

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Mary Taylor, CPA
Auditor of State

Regional Port Authority of Northwest Ohio
Defiance County
1300 East Second Street, Suite 200
Defiance, Ohio 43512-2485

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 10, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Regional Port Authority of Northwest Ohio
Defiance County
1300 East Second Street, Suite 200
Defiance, Ohio 43512-2485

To the Board of Directors:

We have audited the accompanying financial statements of the Regional Port Authority of Northwest Ohio, Defiance County, (the Authority) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the fund the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Authority's larger (i.e. major) funds separately. While the Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Authority has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is

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in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Regional Port Authority of Northwest Ohio, Defiance County, as of December 31, 2009 and 2008, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

November 10, 2010

**REGIONAL PORT AUTHORITY OF NORTHWEST OHIO
DEFIANCE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Cash Receipts:		
County Contributions	\$20,000	\$20,000
Other Income	5,523	
Interest Income	71	54
	<u>25,594</u>	<u>20,054</u>
Total Cash Receipts	<u>25,594</u>	<u>20,054</u>
Cash Disbursements:		
Contractual Services	11,560	7,467
Supplies	25	18
Insurance and Bonds	1,230	
Advertising and Printing	15	257
Other Expenses	217	23
	<u>13,047</u>	<u>7,765</u>
Total Cash Disbursements	<u>13,047</u>	<u>7,765</u>
Total Cash Receipts Over Cash Disbursements	<u>12,547</u>	<u>12,289</u>
Fund Cash Balance, January 1	<u>12,289</u>	<u>12,289</u>
Fund Cash Balance, December 31	<u>\$24,836</u>	<u>\$12,289</u>

**REGIONAL PORT AUTHORITY OF NORTHWEST OHIO
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Regional Port Authority of Northwest Ohio is a multi-county port authority established under Ohio Revised Code Sections 4582.21 through 4582.99. It serves 4 counties (Fulton, Defiance, Paulding and Henry). The Executive Director of the Maumee Valley Planning Authority is fiscal officer for the Regional Port Authority of Northwest Ohio.

The Executive Board for the Regional Port Authority of Northwest Ohio approves all contracts, expenditures, and compensation related to the activities of the Regional Port Authority of Northwest Ohio. Mr. Jerry Arkebauer, President of Arkebauer and Associates, LLC serves as the Executive Director of the Regional Port Authority of Northwest Ohio. Mr. Arkebauer is compensated for his services through a consulting agreement. Legal services are provided by Climaco, Lefkowitz, Peca, Wilcox & Garofoli Co., L.P.A.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Authority 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 Auditor of State prescribes or permits.

C. Fund Accounting

The Authority uses fund accounting to segregate cash and investments that are restricted as to use. The Authority classifies its fund into the following type:

1. General Fund

The General Fund reports all financial resources.

D. Budgetary Process

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

1. 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 Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**REGIONAL PORT AUTHORITY OF NORTHWEST OHIO
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Authority did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

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

2. Deposits

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2009	2008
Demand deposits	\$24,836	\$12,289

Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund		\$25,594	\$25,594

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund		\$13,047	(\$13,047)

**REGIONAL PORT AUTHORITY OF NORTHWEST OHIO
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund		\$20,054	\$20,054

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund		\$7,765	(\$7,765)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$13,047 and \$7,765 for the years ended December 31, 2009 and 2008, respectively. This was due to the Authority not passing appropriations for either year. Also contrary to Ohio law, the Authority did not properly certify its expenditures.

4. Other Income

The Authority collected contributions from various entities and businesses in the amount of \$5,523 in 2009 to fund the costs of a grant application fee. These contributions are reflected on the financial statements as other income.

5. Risk Management

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

- Directors, officials, trustees and Authority liability;
- Employment practices liability.



Mary Taylor, CPA

Auditor of State

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

Regional Port Authority of Northwest Ohio
Defiance County
1300 East Second Street, Suite 200
Defiance, Ohio 43512-2485

To the Board of Directors;

We have audited the financial statements of the Regional Port Authority of Northwest Ohio, Defiance County, (the Authority) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated November 10, 2010, wherein we noted the Authority prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated November 10, 2010.

We intend this report solely for the information and use of management, audit committee, the Board of Directors, and others within the Authority. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

November 10, 2010

**REGIONAL PORT AUTHORITY OF NORTHWEST OHIO
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Revised Code § 5705.28(B)2(a) states a taxing authority of a taxing unit that does not levy a tax is required to adopt an operating budget on or before the fifteenth day of July each year for the ensuing fiscal year.

Ohio Revised Code § 5705.38 states in part that on or about the first day of each year, the taxing authority of each subdivision or taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate.

Ohio Revised Code 5705.41(B) states no subdivision or taxing unit shall make any expenditure of money unless it has been lawfully appropriated.

The Authority neither passed an operating budget for 2008 nor any appropriation measure for 2009 or 2008. This resulted in expenditures exceeding appropriations in the General Fund by \$13,047 in 2009 and \$7,765 in 2008.

We recommend the Authority officials review Auditor of State Bulletin 99-014 entitled Compliance with Budgetary Requirements and the Ohio Compliance Supplement, and adopt a budget as well as appropriations at the legal level of control for its fund(s) prior to the start of each fiscal year.

An expenditure journal should then be maintained which would show a running balance of appropriations less any encumbrances which are certified or "committed" with a purchase order or then and now certification. This would be used as a monitoring tool to ensure expenditures stay within prescribed limits. Adopting and monitoring appropriations would help make sure the Authority uses its resources in the most economical manner and would help maintain the Authority's financial stability.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

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

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. **Blanket Certificate** – The fiscal officer may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the Authority’s expenditures were certified by the Fiscal Officer at the time the commitments were incurred, and there was no evidence the Authority followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Authority funds being over expended or exceeding budgetary spending limitations as set by the Board.

To improve controls over disbursements, we recommend all Authority disbursements receive prior certification of the Fiscal Officer and the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Fiscal Officer, and recorded against appropriations.

Officials’ Response

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



Mary Taylor, CPA
Auditor of State

REGIONAL PORT AUTHORITY OF NORTHWEST OHIO

DEFIANCE 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
NOVEMBER 30, 2010**