

COLUMBIANA COUNTY PORT AUTHORITY

COLUMBIANA COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2018 and 2017





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Board of Directors
Columbiana County Port Authority
7860 Lincole Place
Lisbon, Ohio 44432

We have reviewed the *Independent Auditor's Report* of the Columbiana County Port Authority, Columbiana County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Columbiana County Port Authority is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

July 23, 2019

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COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY, OHIO
Audit Report
For the years ended December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Columbiana County Port Authority
Columbiana County
7860 Lincole Place
Lisbon, Ohio 44432

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Columbiana County Port Authority, Columbiana County, Ohio (the Port Authority), as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as our evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Port Authority as of December 31, 2018 and 2017, and the changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Columbiana County Port Authority, Columbiana County, Ohio, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019, on our consideration of the Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 19, 2019

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCE (REGULATORY CASH BASIS) - GENERAL FUND
For the Year Ended December 31, 2018**

	General
Cash Receipts:	
Income Rent	\$ 491,500
Income Utilities	134,117
Income Investments	64,480
Income Miscellaneous	323,719
<i>Total Cash Receipts</i>	1,013,816
Cash Disbursements:	
Current:	
General Government	1,692,288
Capital Outlay	385,795
Debt Service:	
Principal Retirement	2,190,046
Interest and Fiscal Charges	215,224
<i>Total Cash Disbursements</i>	4,483,353
<i>Total Cash Receipts Over/(Under) Cash Disbursements</i>	(3,469,537)
Other Financing Sources/(Uses):	
Sale of Capital Assets	4,901,527
<i>Net Change in Fund Cash Balance</i>	1,431,990
<i>Fund Balance, January 1, 2018</i>	3,734,637
Fund Cash Balance December 31, 2018	
Unassigned	5,166,627
<i>Fund Balance, December 31, 2018</i>	\$ 5,166,627

See accompanying Notes to the Financial Statements.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Columbiana County Port Authority (the “Port Authority”), Columbiana County, 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 Port Authority is governed by a Board of Directors. Members of the Board are appointed by the Columbiana County Commissioners. The Port Authority provides the following services which are defined by Chapter 4582 of the Ohio Revised Code and which services include but are not limited to the power to purchase, construct, re-construct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

Columbiana County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Columbiana County maintains its own accounting functions, is a separate reporting Port Authority, and its financial activity is not included within the financial statements of the Port Authority.

The general office of the Port Authority is located within the Village of Lisbon. These entities maintain their own accounting functions, are separate reporting entities, and their financial activities are not included within the financial statements of the Port Authority.

The Port Authority is a self-sufficient enterprise, which does not receive funding from Columbiana County, the Village of Lisbon, or the Lisbon Exempted Village School District.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Port 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 fund of the Port Authority is presented below:

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

Basis of Accounting

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). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

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.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Port 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. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Port Authority, which includes giving the administrative/fiscal agent the authority to constrain monies for intended purposes. The Port Authority may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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 only used to report a deficit fund balance.

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

Note 3 – Compliance

Contrary to Ohio law, 50% of the purchase orders issued by the Port Authority during 2018 had an invoice date that was prior to the issuance of the purchase order. In addition, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$3,009,096 for the year ended December 31, 2018.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Budgetary Activity

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,848,641	\$5,915,343	\$3,066,702

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,474,257	\$4,483,353	(\$3,009,096)

Note 5 – Deposits and Investments

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

Demand deposits	2018 \$1,133,758
Certificates of deposit	4,032,869
Total deposits	5,166,627

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2018, all of the deposits were insured or collateralized.

Note 6 – Risk Management

Commercial Insurance

The Port Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Settled claims have not exceeded this commercial coverage in any of the last three years. There has not been a significant reduction in this coverage from the prior year.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plan

The Port Authority’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10 percent of their gross salaries and the Port Authority contributed an amount equaling 14 percent of participants’ gross salaries. The Port Authority has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Farmers National Bank Loan	\$595,769	5%
Crane Loan	\$421,762	3.49%
Total	<u>\$1,017,531</u>	

Farmers National Bank Loan

In February of 2015, the Port Authority obtained a loan from Farmers National Bank to consolidate the Fifth Third Loan and the Rural Industrial loan. The total loan was \$3,007,000.

In October of 2018, the Port Authority restructured the terms of the loan with Farmers National Bank. The loan was paid down to \$600,000 with a maturity date of October 30, 2038. The Port Authority is required to make monthly installment payments of \$3,998 until the maturity date is met.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (continued)

Crane Loan

In 2015 the Port Authority began a new project at the Port’s Intermodal Facility located in Wellsville, Ohio. The Project was to install a new conveyor system and to purchase a new Mantsinen 120EF material handling crane which would assist in providing efficient transportation of raw materials to barges on the Ohio River System. The total cost of the project \$5,100,000 with \$3,500,000 provided by the State via a Logistic & Distribution Loan. The remaining balance will be paid by the Port Authority.

The purchase price of the Crane was \$1,366,091 with a required down payment of \$800,000 which was made in 2015. The Port Authority then entered into a lease with TCF Equipment for the balance of \$566,091. The term of the lease is for 120 months with fixed rate of 3.49%. Monthly payments of \$5,640 began in February 2016.

Amortization

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

Year Ending December 31:	Farmers National Bank Loan	Crane Loan
2019	\$47,734	\$67,680
2020	47,734	67,680
2021	47,734	67,680
2022	47,734	67,680
2023	47,734	67,680
2024-2028	238,670	141,000
2029-2033	238,670	
2034-2038	238,670	
Total	<u>\$954,680</u>	<u>\$479,400</u>

Note 10 – Contingent Liabilities

The Port Authority may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Port Authority’s financial condition.

Amounts grantor agencies pay to the Port Authority are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCE (REGULATORY CASH BASIS) - GENERAL FUND
For the Year Ended December 31, 2017**

	General
Cash Receipts:	
Income Rent	\$ 722,459
Income Utilities	198,472
Income Investments	14,130
Income Miscellaneous	188,307
<i>Total Cash Receipts</i>	1,123,368
Cash Disbursements:	
Current:	
General Government	1,095,429
Capital Outlay	176,291
Debt Service:	
Principal Retirement	161,138
Interest and Fiscal Charges	116,863
<i>Total Cash Disbursements</i>	1,549,721
<i>Total Cash Receipts Over/(Under) Cash Disbursements</i>	(426,353)
Other Financing Sources/(Uses):	
Sale of Capital Assets	9,699
<i>Net Change in Fund Cash Balance</i>	(416,654)
<i>Fund Balance, January 1, 2017</i>	4,151,291
Fund Cash Balance December 31, 2017	
Unassigned	3,734,637
<i>Fund Balance, December 31, 2017</i>	\$ 3,734,637

See accompanying Notes to the Financial Statements.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Columbiana County Port Authority (the “Port Authority”), Columbiana County, 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 Port Authority is governed by a Board of Directors. Members of the Board are appointed by the Columbiana County Commissioners. The Port Authority provides the following services which are defined by Chapter 4582 of the Ohio Revised Code and which services include but are not limited to the power to purchase, construct, re-construct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

Columbiana County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Columbiana County maintains its own accounting functions, is a separate reporting Port Authority, and its financial activity is not included within the financial statements of the Port Authority.

The general office of the Port Authority is located within the City of East Liverpool. These entities maintain their own accounting functions, are separate reporting entities, and their financial activities are not included within the financial statements of the Port Authority.

The Port Authority is a self-sufficient enterprise, which does not receive funding from Columbiana County, the City of East Liverpool, or the East Liverpool City School District.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Port 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 fund of the Port Authority is presented below:

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

Basis of Accounting

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). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

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.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Port 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. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when individual commitments are made. The Port Authority did not use the encumbrance method of accounting and did not issue purchase orders during 2017.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Port Authority, which includes giving the administrative/fiscal agent the authority to constrain monies for intended purposes. The Port Authority may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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 only used to report a deficit fund balance.

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

Note 3 – Compliance

Contrary to Ohio law, the Port Authority did not issue purchase orders during 2017. In addition, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$144,471 for the year ended December 31, 2017.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017, follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,410,756	\$1,133,067	(\$277,689)

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,405,250	\$1,549,721	(\$144,471)

Note 5 – Deposits and Investments

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

	2017
Demand deposits	\$3,734,637

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2017, all of the deposits were insured or collateralized.

Note 6 – Risk Management

Commercial Insurance

The Port Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Settled claims have not exceeded this commercial coverage in any of the last three years. There has not been a significant reduction in this coverage from the prior year.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plan

The Port Authority’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10 percent of their gross salaries and the Port Authority contributed an amount equaling 14 percent of participants’ gross salaries. The Port Authority has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Farmers National Bank Loan	\$2,734,589	2.95%
Crane Loan	\$472,988	3.49%
Total	\$3,207,577	

Farmers National Bank Loan

In February of 2015, the Port Authority obtained a loan from Farmers National Bank to consolidate the Fifth Third Loan and the Rural Industrial loan. The total loan was \$3,007,000 at a fixed rate for the first three years on the three-year treasury constant maturity index plus 2.62%. The rate as of January 2015 would be 3.45%. The rate will adjust to 2.95% over the current three-year treasury constant maturity index for the remainder of the term of the loan. The term will be five-year amortized over twenty; beginning August 15, 2015 semi-annual payments of principal and interest total \$105,158. The closing cost of this loan was \$59,064.

Columbiana County Port Authority
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (continued)

Crane Loan

In 2015 the Port Authority began a new project at the Port’s Intermodal Facility located in Wellsville, Ohio. The Project was to install a new conveyor system and to purchase a new Mantsinen 120EF material handling crane which would assist in providing efficient transportation of raw materials to barges on the Ohio River System. The total cost of the project \$5,100,000 with \$3,500,000 provided by the State via a Logistic & Distribution Loan. The remaining balance will be paid by the Port Authority.

The purchase price of the Crane was \$1,366,091 with a required down payment of \$800,000 which was made in 2015. The Port Authority then entered into a lease with TCF Equipment for the balance of \$566,091. The term of the lease is for 120 months with fixed rate of 3.49%. Monthly payments of \$5,640 began in February 2016.

Amortization

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

Year Ending	Farmers National Bank	
December 31:	Loan	Crane Loan
2018	\$210,317	\$67,680
2019	210,317	67,680
2020	210,317	67,680
2021	201,317	67,680
2022	201,317	67,680
2023-2027	1,006,585	208,680
2028-2032	1,006,585	
2033-2037	503,293	
Total	\$3,550,047	\$547,080

Note 10 – Contingent Liabilities

The Port Authority may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Port Authority’s financial condition.

Amounts grantor agencies pay to the Port Authority are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Columbiana County Port Authority
Columbiana County
7860 Lincole Place
Lisbon, Ohio 44432

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts and disbursements of the Columbiana County Port Authority, Columbiana County, Ohio (the Port Authority) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 19, 2019, wherein we noted the Port Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2018-002 and 2018-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2018-001 and 2018-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Port Authority's management in a separate letter dated June 19, 2019.

Entity's Responses to Findings

The Port Authority's responses to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Port Authority's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
June 19, 2019

COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA 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 – Noncompliance

Expenditures in Excess of Appropriations

Ohio Rev. Code § 5705.28(B)(2) states that entities not levying taxes should follow Ohio Revised Code §5705.41(B). That section prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

At December 31, 2018 and 2017, expenses exceeded appropriations in the General Fund by \$3,009,096 and \$144,471, respectively.

This is due to the annual budget not including all expense line items which are included in the financial statements (i.e. principal retirement, capital outlay, etc) which led to the Board of Directors not having adequate and updated information to base budgetary decisions upon. This could also result in overspending and a negative fund balance.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. In addition, the Fiscal Officer should request the Board of Directors to approve increased disbursement levels by increasing appropriations in the minutes and amending estimated resources, if necessary and available. Finally, the budget should be prepared to include all line items which are presented on the financial statements.

Management Response:

See Corrective Action Plan

Finding Number 2018-002 – Material Weakness

Posting of Authorized Budgetary Measures

Sound accounting practices require accurately posting appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board of Directors to make informed decisions regarding budgetary matters. The Port Authority did not have procedures in place to accurately post authorized budgetary measures to the accounting ledgers in 2018 and 2017.

When authorized budgetary measures are not accurately posted to the ledgers, the budget versus actual information generated by the Port Authority's accounting system is not an accurate reflection of the intentions of the Board of Directors. We recommend all budgetary measures are accurately and timely posted to the accounting system so that information generated is accurate for the use of the Board.

Management Response:

See Corrective Action Plan

COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY

Schedule of Findings - Continued
December 31, 2018 and 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED
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Finding Number 2018-003 – Material Weakness

Financial Statement Presentation

Our testing revealed several instances where errors were made with respect to the posting and reporting of various transactions, and the presentation of annual financial statements and notes. During 2018 and 2017, the more significant misclassifications were as follows:

- During 2018, \$491,500 in rental income was reported as miscellaneous revenue and \$134,117 in utility income was reported as miscellaneous revenue.
- During 2018 and 2017, for some debt payments, principal and interest were not properly recorded. During 2018, \$1,654 in principal payments were reported as general government expenditures. During 2017, \$5,549 in principal payments were reported as interest and other fiscal charges.
- During 2018 and 2017, adjustments were necessary to correct various items in the notes to the financial statements, such as the deposit notes and the debt notes. In addition, for 2017, the Port Authority filed OCBOA notes with their regulatory Hinkle filing.

The accompanying financial statements and the Port Authority's records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Port Authority and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Port Authority adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Managements' Response:

See Corrective Action Plan

COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY

Schedule of Findings - Continued
December 31, 2018 and 2017

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

Finding Number 2018-004 – Noncompliance

Restrictions on Appropriating and Expending Money

Ohio Rev. Code § 5705.41(B)(2) states that entities not levying taxes should follow Ohio Rev. Code §5705.41(D). That section states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. Then and Now Certificate: If the fiscal officer can certify both at the time that the contract or order was made “then” at the time that the fiscal officer is completing the certification “now”, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution.

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

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

COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY

Schedule of Findings - Continued
December 31, 2018 and 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED
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Finding Number 2018-004 – Noncompliance (Continued)

Restrictions on Appropriating and Expending Money (Continued)

The Port Authority did not issue purchase orders for 2017. In 2018, 50% of expenditures tested had an invoice date that was prior to the issuance of a purchase order and a “then and now” was not issued. Incurring obligations prior to the fiscal officer’s certification could result in the Port Authority spending more than appropriated. The Port Authority did not have a policy in place regarding the issuance of purchase orders in 2017.

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

Managements’ Response:

See Corrective Action Plan

COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY, OHIO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
December 31, 2018 and 2017

FINDING NUMBER	FUNDING SUMMARY	STATUS?	ADDITIONAL INFORMATION
2016-001	Noncompliance and Finding for Recovery – Repaid Under Audit: Purchase of Alcoholic Beverages	Corrective Action Taken and Finding is Fully Corrected	N/A
2016-002	Noncompliance – Expenditures in Excess of Appropriations	Not Corrected	Repeated as Finding 2018-001
2016-003	Material Weakness – Posting of Receipts and Expenses	Not Corrected	Repeated as Finding 2018-003
2016-004	Material Weakness – Posting of Authorized Budgetary Measures	Not Corrected	Repeated as Finding 2018-002

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COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY

CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2018 and 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The Port Authority was not able to implement the Uniform Accounting System (UAN) completely until April of 2018. With the system in place moving forward the Board of Directors will approve and amend appropriations throughout the year, to avoid expenditures exceeding appropriations.	Immediately	Penny Traina, Chief Executive Officer
2018-002	The Port Authority was not able to implement the Uniform Accounting System (UAN) completely until April of 2018. The Port Authority will ensure that all budgetary measures are accurately and timely posted to the accounting system so that the information generated is accurate for the use of the Board.	Immediately	Penny Traina, Chief Executive Officer
2018-003	<ul style="list-style-type: none"> • The Port Authority will be sure that rental income and utility income are properly broken out and shown as separate line items on the annual financial report rather than combined and reported as miscellaneous revenue. • By utilizing the newly implemented UAN system and staff changes, the Port Authority will properly be able to record principal and interest debt payments moving forward. • By utilizing the newly implemented UAN system and staff changes, the Port Authority will correct these items moving forward. 	Immediately	Penny Traina, Chief Executive Officer
2018-004	The newly implemented UAN system will allow the Port Authority to accurately maintain the accounting system, with new staff in place and additional training; Then and Now, Blanket, and Super Blanket Certificates as well as the use of purchase orders will be implemented and will correct this item.	Immediately	Penny Traina, Chief Executive Officer

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OHIO AUDITOR OF STATE KEITH FABER



COLUMBIANA COUNTY PORT AUTHORITY

COLUMBIANA 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
AUGUST 6, 2019**