



STATE OF INDIANA
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April 24, 2019

Board of Directors
Perry County Port Authority
509 Schiller Street
P.O. Box 423
Tell City, IN 47586


As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Perry County Port Authority. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Perry County Port Authority as of December 31, 2016, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 19 through 21. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Report for Perry County Port Authority was prepared for the period January 1, 2014 to December 31, 2017, in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

PERRY COUNTY PORT AUTHORITY
Perry County, Indiana

FINANCIAL STATEMENTS
December 31, 2016

PERRY COUNTY PORT AUTHORITY
Perry County, Indiana

FINANCIAL STATEMENTS
December 31, 2016

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PERRY COUNTY PORT AUTHORITY
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2016

<u>Office</u>	<u>Official</u>	<u>Term</u>
Operations Manager	Kevin Teague	01-01-16 to 12-31-16
Chairman of the Board	Bill Goffnet	01-01-16 to 12-31-16
Bookkeeper	Michael O. Elaman, CPA	01-01-16 to 12-31-16
Treasurer of the Board	Danny Thomas	01-01-16 to 12-31-16

INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance
Perry County Port Authority
Tell City, Indiana

Report on the Financial Statement

We have audited the accompanying statement of receipts, disbursements, and cash and investment balances of Perry County Port Authority (the Unit) as of and for the year ended December 31, 2016, and the related notes (the financial statements).

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6) as described in Note 1. Management is also responsible for 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 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 *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 entity'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 entity'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 evaluating 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 opinion.

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

As discussed in Note 1 to the financial statements, the Unit prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

(Continued)

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 Unit as of December 31, 2016, or changes in net position or cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the Unit as of December 31, 2016, and its cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Schedule of Officials, and Supplementary Information Schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Schedule of Officials and Supplementary Information Schedules have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirement

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2019, on our consideration of the Unit's internal control over financial reporting and on our test 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 the 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 Unit's internal control over financial reporting and compliance.


Crowe LLP

Indianapolis, Indiana
April 2, 2019

PERRY COUNTY PORT AUTHORITY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 REGULATORY BASIS
 For The Year Ended December 31, 2016

<u>Fund</u>	Cash and Investments <u>01-01-16</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-16</u>
Perry Co Port Operating Revenue Acct	\$ 1,270,082	\$ 2,467,122	\$ 2,484,503	\$ 1,252,701
Perry Co Port Petty Cash	200	-	-	200
Perry Co Port Gab Strategic Reserve	10,320	15	-	10,335
Perry Co Port GAB Loan & Int	120,258	7,848	33,473	94,633
Perry Co Port Construction EDA	<u>10,664</u>	<u>6,637</u>	<u>-</u>	<u>17,301</u>
Totals	<u>\$ 1,411,524</u>	<u>\$ 2,481,622</u>	<u>\$ 2,517,976</u>	<u>\$ 1,375,170</u>

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Perry County Port Authority (the Unit) was established under the laws of the State of Indiana. The Unit operates under an appointed governing board.

The accompanying financial statement presents the financial information for the Unit.

Basis of Accounting: The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP), in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred. The regulatory basis also allows for all investments to be stated at cost, while GAAP requires fair value for qualifying investments.

Cash and Investments: Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

Receipts: Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Charges for services. Amounts received including, but not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable television receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Other receipts. Amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

Disbursements: Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those Units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Unit. It includes all expenditures for the reduction of the principal and interest of the Unit general obligation indebtedness.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements. Amounts disbursed for various purposes including, but not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, lease agreements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

Interfund Transfers: The Unit may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

Fund Accounting: Separate funds are established, maintained, and reported by the Unit. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Unit. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Unit in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the Unit itself.

NOTE 2 - BUDGETS

The operating budget is prepared and approved at the local level.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund (PDIF). This includes any deposit accounts issued or offered by a qualifying financial institution.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

State statutes authorize the Unit to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units. Given the limited investment parameters applicable under state statute, certain risks, such as credit, custodial, concentration, and interest rate are not deemed significant. For the year ending December 31, 2016, the Unit invested in a term note with the National Rural Utilities Cooperative Finance Corporation.

The Unit held cash deposits with financial institutions that maintained FDIC and PDIF coverages, as applicable.

NOTE 4 - RISK MANAGEMENT

The Unit may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Unit to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

The Unit has purchased insurance to address the risks described above.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS

The Port Authority contributes to the United States Railroad Retirement Plan defined benefit pension plan. No actuarial information is available for this plan. Other information about the plan may be obtained from the U.S. Railroad Retirement Board, 844 North Rush Street, Chicago, Illinois 60611-2092, and phone number (312) 751-4300.

The Unit made contributions to the plan during the year under audit.

NOTE 6 - DEBT

In 2014, the Unit issued a loan in the amount of \$410,000 for the purpose of purchasing real estate. The loan matures on May 1, 2021. The Unit made principal and interest payments during the year under audit.

In 2010, the Unit issued a loan in the amount of \$740,016 for the purpose of construction projects. The loan matures on June 30, 2020. The Unit made principal and interest payments during the year under audit.

In 2008, the Unit issued revenue bonds in the amount of \$2,200,000 for the purpose of construction projects. The bonds were refinanced in 2013 with the GAB Refinance Loan, issued in the amount of \$2,000,000. This loan matures on May 21, 2033. The Unit made principal and interest payments during the year under audit.

In 2014, the Unit issued a loan in the amount of \$27,000 for the purpose of purchasing real estate. The loan becomes due on October 1, 2024. The Unit made principal and interest payments during the year under audit.

PERRY COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - DEBT (Continued)

In 2015, the Unit issued loan in the amount of \$1,270,082 for the purpose of construction projects. The loan matures on September 20, 2025.

In 2016, the Unit issued loan in the amount of \$22,000 for the purpose of a truck loan. The loan matures on June 2, 2020.

In 2016, the Unit issued a loan in the amount of \$87,233 for the purpose of purchasing a truck. The loan matures on June 2, 2023.

In 2016, the Unit issued a loan in the amount of \$610,000 for the purpose of purchasing a locomotive. The loan matures on October 4, 2026.

NOTE 7 - LEASES

During 2008, the Unit entered into a lease for an unloading fee expiring November 30, 2017. The Unit made lease payments during the year under audit. The lease was not renewed after the expiration date.

During 2011, the Unit entered into a lease for four rail cars expiring December 3, 2016. The Unit made lease payments during the year under audit. The lease was not renewed after the expiration date.

SUPPLEMENTAL SCHEDULES (Unaudited)

PERRY COUNTY PORT AUTHORITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2016

	Perry Co Port Operating Revenue Acct	Perry Co Port Petty Cash	Perry Co Port Gab Strategic Reserve	Perry Co Port GAB Loan & Int	Perry Co Port Construction EDA	Totals
Cash and investments - beginning	\$ 1,270,082	\$ 200	\$ 10,320	\$ 120,258	\$ 10,664	\$ 1,411,524
Receipts:						
Intergovernmental	27,625	-	-	-	-	27,625
Charges for services	1,713,363	-	-	-	-	1,713,363
Other receipts	726,134	-	15	7,848	6,637	740,634
Total receipts	<u>2,467,122</u>	<u>-</u>	<u>15</u>	<u>7,848</u>	<u>6,637</u>	<u>2,481,622</u>
Disbursements:						
Personal services	596,799	-	-	-	-	596,799
Supplies	16,649	-	-	-	-	16,649
Other services and charges	850,562	-	-	-	-	850,562
Debt service - principal and interest	310,231	-	-	33,473	-	343,704
Capital outlay	710,262	-	-	-	-	710,262
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>2,484,503</u>	<u>-</u>	<u>-</u>	<u>33,473</u>	<u>-</u>	<u>2,517,976</u>
Excess (deficiency) of receipts over disbursements	<u>(17,381)</u>	<u>-</u>	<u>15</u>	<u>(25,625)</u>	<u>6,637</u>	<u>(36,354)</u>
Cash and investments - ending	<u>\$ 1,252,701</u>	<u>\$ 200</u>	<u>\$ 10,335</u>	<u>\$ 94,633</u>	<u>\$ 17,301</u>	<u>\$ 1,375,170</u>

PERRY COUNTY PORT AUTHORITY
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Perry Co Port	\$ 124,643	\$ 153,778
Governmental activities	<u>-</u>	<u>-</u>
Totals	<u>\$ 124,643</u>	<u>\$ 153,778</u>

PERRY COUNTY PORT AUTHORITY
SCHEDULE OF LEASES AND DEBT
December 31, 2016

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Perry Co Port:				
City of Tell City	Unloading fee	\$ 15,382	3/17/2008	11/30/2017
VTG Rail	4 Rail cars	<u>20,400</u>	12/3/2011	12/3/2016
Total Perry Co Port		<u>35,782</u>		
Total of annual lease payments		<u>\$ 35,782</u>		

<u>Description of Debt</u>		<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
<u>Type</u>	<u>Purpose</u>		
Perry Co Port:			
Notes and loans payable	GAB Mortgage	\$ 22,254	\$ 3,335
Notes and loans payable	GAB Refinance Loan	1,729,206	-
Notes and loans payable	Locomotives	601,314	64,727
Notes and loans payable	Purchase real estate	288,034	75,538
Notes and loans payable	SIP	287,778	82,222
Notes and loans payable	SIP #2	1,270,082	-
Notes and loans payable	Truck	81,824	7,639
Notes and loans payable	Vehicle	<u>19,453</u>	<u>3,178</u>
Total Perry Co Port		<u>4,299,944</u>	<u>236,638</u>
Totals		<u>\$ 4,299,944</u>	<u>\$ 473,276</u>

PERRY COUNTY PORT AUTHORITY
SCHEDULE OF CAPITAL ASSETS
December 31, 2016

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Perry Co Port:	
Land	\$ 909,343
Infrastructure	14,719,365
Buildings	456,414
Machinery, equipment and vehicles	1,738,197
Construction in progress	<u>353,541</u>
 Total Perry Co Port	 <u>18,176,860</u>
 Total capital assets	 <u>\$ 18,176,860</u>

PERRY COUNTY PORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

Federal <u>Pass-through/Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Amount</u>
<u>United States Department of Agriculture</u> Rural Economic Development Loan and Grant Program	10.854	\$ <u>1,270,082</u>
Total Federal Funding		\$ <u>1,270,082</u>

See accompanying notes to the schedule of expenditures of federal awards.

PERRY COUNTY PORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Perry County Port Authority (the "Unit") under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Unit, it is not intended to and does not present the receipts, disbursements, and cash and investment balances – regulatory basis of the Unit. Expenditures reported on the Schedule are reported on the cash basis of accounting. The Unit has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 - FEDERAL LOANS DISBURSED

On November 20, 2015, the Unit obtained a loan from the USDA for \$1,270,082 through the intermediary, Southern Indiana Power (SIP). The loan was to be used to purchase bonds from Perry County to facilitate an infrastructure project in Perry County. At this time, the Unit immediately returned the funds to the SIP as the bond purchase was not yet ready. The SIP invested the funds with a bank until the bond purchase agreement was finalized on November 22, 2016.

The amount recorded on the SEFA is equal to the amount of the USDA loan proceeds described above. Until the funds are expended for their stated purpose, the loans are considered to have continuing compliance requirements under 2 U.S. Code of Federal Regulations Part 200 section 502(d).

The balance of federal loans outstanding at December 31, 2016 was as follows:

Rural Development Loan and Grant Program	<u>\$ 1,270,082</u>
Total	<u>\$ 1,270,082</u>

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

Those Charged with Governance
Perry County Port Authority
Tell City, Indiana

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 Perry County Port Authority ("Unit"), which comprise the statement of receipts, disbursements, and cash and investment balances of the Unit as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated April 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Unit'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Unit'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items Finding 2016-001 and 2016-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Unit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely 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 the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
April 2, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Those Charged with Governance
Perry County Port Authority
Tell City, Indiana

Report on Compliance for Each Major Federal Program

We have audited Perry County Port Authority's (Unit) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Unit's major federal program for the year ended December 31, 2016. The Unit's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Unit's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Unit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Unit's compliance.

Opinion on Each Major Federal Program

In our opinion, the Unit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

(Continued)

Report on Internal Control Over Compliance

Management of the Unit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Unit's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Unit's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Indianapolis, Indiana
April 2, 2019

PERRY COUNTY PORT AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 December 31, 2016

SECTION 1 - SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors report issued Adverse as to GAAP, Unmodified as to regulatory basis

Internal control over financial reporting

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None Reported

Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No
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Federal Awards

Internal control over major programs

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None Reported

Type of auditor's report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	<u> </u>	Yes	<u> X </u>	No
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Identification of major programs

<u>CFDA Number</u> 10.854	<u>Name of Federal Program or Cluster</u> Rural Economic Development Loan and Grant Program
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Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>
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Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u> X </u>	No
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PERRY COUNTY PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2016

SECTION 2 – FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Finding 2016-001 – Preparation of SEFA

Criteria: Uniform Guidance requires a Schedule of Expenditures of Federal awards to be prepared in accordance with 2 CFR 200.502 – Basis for Determining Federal Awards Expended.

Condition: During the year under audit, no Schedule of Expenditures of Federal Awards was prepared for the loan program. The total outstanding loan balance at December 31 was \$1,270,082. 2 CFR 200.502(b) requires the reporting of new loans received plus the prior year loan balance.

Context: A Schedule of Expenditures of Federal Awards (SEFA) was not submitted via the Indiana Gateway system.

Effect: No loan balances were reported on a SEFA.

Cause: The above condition appears to be the result of a lack of controls over the reporting of federal expenditures in accordance with 2 CFR 200.502.

Recommendation: We recommend management implement a process to monitor and compile the expenditure of federal funding and the implementation of a secondary review of the SEFA to ensure financial and non-financial information is accurate and complete. We also recommend management reconcile federal grant expenses and loan balances to federal grant revenue on the general ledger on a periodic basis to ensure general ledger activity is properly captured.

Management’s Response: Management concurs with this finding. See the corrective action plan.

PERRY COUNTY PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2016

Finding 2016-002 – Accurate and Complete Receipt and Disbursement Detail Support

- Criteria:** Indiana Code IC 5-11-1-11) states in part “*Sec. 11. There shall be kept in the office of each public officer, board, commission, agency, instrumentality, and institution in this state, a record of money collected for the public treasury, the forms and records for which, for each class of offices, shall be devised and formulated by the state board of accounts. Such records as are provided for in this section shall be public records and must be accessible to the public during regular office hours.*”
- Condition:** During testing of receipts, we noted the total receipts per the bank statements did not agree to total receipts within the Annual Financial Report in 2016, and client was unable to provide reconciliation between the two. Similar issues were uncovered related to cash disbursements testing. There were variances between disbursements detailed records and the Annual Financial Report amounts for which no explanation of the variances were able to be provided.
- Context:** The Unit did not provide accurate supporting detail for cash receipts and disbursements reported on the Annual Financial Report. The Unit was unable to reconcile the variance between these two.
- Effect:** The lack of an accurate reconciliation could lead to a material misstatement of the Annual Financial Report.
- Cause:** The above condition appears to be the result of a lack of controls over the reconciliation of cash receipts and disbursements.
- Recommendation:** We recommend the Unit implement a periodic reconciliation of receipts to the financial statements.
- Management’s Response:** Management concurs with this finding. See the corrective action plan.

Section 3 - Findings Related to Federal Award Findings and Questioned Costs

None

PERRY COUNTY PORT AUTHORITY
EXIT CONFERENCE
December 31, 2016

The contents of this report were discussed on December 12, 2018, with Alvin Evans, President/CEO, Jared Kleemann, Operations Manager, and Bill Goffinet, Chairman of the Board. The officials acknowledged the findings.



To Whom it May Concern:

In response to the findings presented in the attached report, the management of the Perry County Port Authority has implemented the following corrective actions.

Finding 2016-001 – Preparation of SEFA

In order to address this finding, we plan to implement a process to monitor and compile the expenditure of federal funding and the implementation of a secondary review of the SEFA to ensure financial and non-financial information is accurate and complete. We also plan to reconcile federal grant expenses and loan balances to federal grant revenue on the general ledger on a periodic basis to ensure general ledger activity is properly captured.

Finding 2016-002 – Accurate and Complete Receipt and Disbursement Detail Support

In order to correct this finding, we plan to implement a periodic reconciliation of receipts and disbursements to the financial statements.

Jan Kleeman
4-2-2019