



**Auditor of State  
Betty Montgomery**



**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Southeastern Ohio Port Authority  
Washington County  
205 Putnam Street  
Marietta, Ohio 45750

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, as of and for the year ended December 31, 2004, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Southeastern Ohio Port Authority, Washington County, as of December 31, 2004, and the change in financial position and the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2005, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of the internal control over financial reporting and compliance, and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

August 23, 2005

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

<b>Assets:</b>	
Cash	\$ 85,776
Loans Receivable	<u>49,036</u>
Total Assets	134,812
<b>Liabilities:</b>	
Accounts Payable	6,878
Customer Deposits	3,850
Long-term Liabilities:	
Due Within One Year	1,886
Due In More Than One Year	<u>47,040</u>
Total Liabilities	59,654
<b>Net Assets:</b>	
Unrestricted	<u>75,158</u>
Total Net Assets	<u><u>\$ 75,158</u></u>

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

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Operating Revenues:**

Other Revenue	\$ 4,258
	<hr/>
Total Operating Revenues	4,258
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**Operating Expenses:**

Foreign Trade Zone Application	29,728
Professional Fees	11,619
Insurance	8,284
Repairs and Maintenance	2,266
Other Expenses	1,762
	<hr/>
Total Operating Expenses	53,659
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Operating Income (49,401)

**Non-Operating Revenue/(Expense):**

Gain of Sale of Assets	121,485
Selling Costs for Property	(3,862)
Interest Revenue	1,157
Interest Expense	(7,666)
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Total Non-Operating Revenue/(Expense) 111,114

Change in Net Assets 61,713

Net Assets, Beginning of Year 13,445

Net Assets, End of Year \$ 75,158

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



**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Cash Flows from Operating Activities:</b>	
Cash Received from Other Sources	\$ 4,258
Cash Payments for Goods and Services	<u>(48,280)</u>
Net Cash Provided by Operating Activities	<u>(44,022)</u>
 <b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal for Additional Loan	8,284
Cash Paid for Principal on Long-term Debt	(256,266)
Cash Paid for Interest on Long-term Debt	(7,666)
Miscellaneous Selling Costs	(3,862)
Cash from the Sale of Property	<u>375,000</u>
Net Cash Used in Capital and Related Financing Activities	115,490
 <b>Cash Flows from Investing Activities:</b>	
Cash Loan from Washington County	50,000
Cash Loaned to Business	(50,000)
Interest from Business Loan	1,157
Principal from Business Loan	<u>964</u>
Net Cash Provided by Investing Activities	<u>2,121</u>
Net Increase in Cash	73,589
Cash, Beginning of Year	<u>12,187</u>
Cash, End of Year	<u><u>\$ 85,776</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ (49,401)
Increase in Liabilities:	
Increase in Accounts Payable	<u>5,379</u>
Net Cash Provided by Operating Activities	<u><u>\$ (44,022)</u></u>

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

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**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Southeastern Ohio Port Authority, Washington County (the Port Authority), was created during 2003 by the Washington County Commissioners pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code, for the purpose of promoting the manufacturing, commerce, distribution and research and development interests of Southeastern Ohio, including rendering financials and other assistance to such enterprises situated in the region and to induce the location in Southeastern Ohio of other manufacturing, commerce, distribution and research entities; to purchase, subdivide, sell and lease real property in Southeastern Ohio and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio.

The Port Authority Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Washington County Commissioners. As such, it is considered a discretely presented component unit of Washington County. Currently, five Directors serve on the Board.

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

**B. Reporting Entity**

Governmental Accounting Standards Board (GASB) Statement No. 14 established standards for determining which entity should be included in the financial reporting entity and for reporting the financial information of those entities. The statement defines the Governmental Financial Reporting Entity as being made up of two parts, units for which the Primary Government is financially accountable and units that must be included to keep the financial statements from being misleading or incomplete because of the nature or significance of their relationship to the Primary Government.

**C. Basis of Presentation**

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities provided they do not conflict with or contradict GASB pronouncements. The Port Authority has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities.

The Port Authority's financial statements consist of government-wide statements, including the statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows.

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus**

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the Statement of Net Assets.

The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the Port Authority finances and meets the cash flow needs of its business-type activities.

**E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

**Revenues - Exchange Transactions:** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

**Expenses:** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**F. Cash**

All cash assets are maintained in a non-interest bearing checking account.

**G. Capital Assets**

Capital assets, which include a building and land, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

During 2004, the Port authority sold the land and buildings to a private company. Accordingly, there are no capital assets reported as of December 31, 2004 (see note 3).

**H. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, or laws or regulations of other governments. The Port Authority did not have any restricted net assets.

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Port Authority, these revenues are from rental revenue. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

**K. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**L. Budgetary Process**

The Ohio Revised Code requires that the Port Authority Board of Directors prepare and adopt an annual budget. No such budget was prepared or adopted by the Port Authority. Consequently, no budgetary comparisons are presented.

**2. CASH**

State statutes classify monies held by the Port Authority into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**2. CASH (Continued)**

Protection of the Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**2. CASH (Continued)**

**Deposits:** At year end, the carrying amount of the Port Authority's deposits was \$85,776 and the bank balance was \$85,776. The entire bank balance was covered by federal depository insurance.

**3. CAPITAL ASSETS**

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 132,050	\$ 0	\$ 132,050	\$ 0
Total capital assets, not being depreciated	132,050	0	132,050	0
Capital assets, being depreciated:				
Building	122,909	0	122,909	0
Total capital assets, being depreciated	122,909	0	122,909	0
Less accumulated depreciation for:				
Building	1,444	0	1,444	0
Total accumulated depreciation	1,444	0	1,444	0
Total capital assets, being depreciated, net	121,465	0	121,465	0
Business-Type Activities capital assets, net	\$ 253,515	\$ 0	\$ 253,515	\$ 0

**4. LONG-TERM DEBT**

Long-term debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Washington County Loan	\$ 48,926	3.00%
Less: amount due within one year	1,886	
Long-Term debt, net	\$ 47,040	

The Washington County Loan relates to an economic development loan to the Port Authority for \$50,000 in 2004. The Port Authority, in turn, loaned the monies received to a local business. The Port Authority is required to make monthly payments of \$277.30 to Washington County.

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**4. LONG-TERM DEBT (Continued)**

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

Year Ending December 31:	Principal	Interest	Total
2005	\$ 1,886	\$ 1,442	\$ 3,328
2006	1,943	1,385	3,328
2007	2,002	1,326	3,328
2008	2,063	1,265	3,328
2009	2,126	1,202	3,328
2010-2024	<u>38,906</u>	<u>5,737</u>	<u>44,643</u>
Total	<u>\$ 48,926</u>	<u>\$ 12,357</u>	<u>\$ 61,283</u>

**5. LOAN RECEIVABLE**

As noted in Note 4, the Port Authority loaned \$50,000 to Kardex for economic development purposes. The loan was granted at 4.00% over a twenty-year period. Monthly payments from Kardex are expected to be \$302.99. Accordingly, the Port Authority has recorded a loan receivable and interest revenue.

Future cash flows from the loan receivable are estimated to be as follows:

Year Ending December 31:	Total Payments	Principal Portion	Interest Portion
2005	\$ 3,636	\$ 1,705	\$ 1,931
2006	3,636	1,775	1,861
2007	3,636	1,847	1,789
2008	3,636	1,923	1,713
2009	3,636	2,001	1,635
2010-2024	<u>52,417</u>	<u>39,785</u>	<u>12,632</u>
Total	<u>\$ 70,597</u>	<u>\$ 49,036</u>	<u>\$ 21,561</u>

**6. RISK MANAGEMENT**

The Port Authority has obtained commercial insurance for the risks for comprehensive property and general liability and public employee dishonesty.





## **Auditor of State Betty Montgomery**

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

Southeastern Ohio Port Authority  
Washington County  
205 Putnam Street  
Marietta, Ohio 45750

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, as of and for the year ended December 31, 2004, which collectively comprise the Port Authority's basic financial statements, and have issued our report thereon dated August 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Port Authority's management dated August 23, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Port Authority's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the Port Authority's management dated August 23, 2005, we reported on other matters related to noncompliance we deemed immaterial.

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Southeastern Ohio Port Authority  
Washington County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*

We intend this report solely for the information and use of the management and the Board of Directors. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

August 23, 2005

**SOUTHEASTERN OHIO PORT AUTHORITY  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	A material noncompliance citation was issued under Ohio Rev. Code Section 4582.13 for failing to prepare and adopt an annual budget.	No	Not Corrected:  This situation is no longer as significant and the issue is repeated in the current audit Management Letter.
2003-002	A material noncompliance citation was issued under Ohio Revised Code Section 5705.41(D) for the failure to obtain the prior certification of available funds.	No	Not Corrected:  This situation is no longer as significant and the issue is repeated in the current audit Management Letter.





**Auditor of State  
Betty Montgomery**

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**SOUTHEASTERN OHIO PORT AUTHORITY**

**WASHINGTON 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  
FEBRUARY 9, 2006**