

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY
Regular Audit
For the Years Ended December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board Members
Guernsey County Port Authority
806 Cochran Avenue
Cambridge, Ohio 43725

We have reviewed the *Independent Accountants' Report* of the Guernsey County Port Authority, Guernsey County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Guernsey County Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 8, 2011

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**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Years Ended December 31, 2010 and 2009.....	3
Notes to the Financial Statements	4
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	9

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INDEPENDENT ACCOUNTANTS' REPORT

March 10, 2011

Guernsey County Port Authority
Guernsey County
806 Cochran Avenue
Cambridge, Ohio 43725

To the Board of Directors:

We have audited the accompanying financial statements of **Guernsey County Port Authority, Guernsey County, Ohio**, (the Authority) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Guernsey County Port Authority, Guernsey County, as of December 31, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
Cash Receipts:		
Grant Income	\$ 584,720	\$ 1,074,746
Contributions	10,000	-
Loan Proceeds	-	150,000
Lease Income	159,653	159,654
Transactions Fees	12,600	16,817
Application Fees	750	350
Loan Repayments	24,209	28,512
Interest Income	4,696	5,986
	796,628	1,436,065
Cash Disbursements:		
Current:		
Advertising	29	29
Bank Service Charges	10	-
Consortium Expense	6,292	360
Dues and Membership	100	100
Insurance	1,344	845
Loans Disbursed	42,000	13,000
Office and Postage Expense	616	645
Professional Fees	-	6,198
Project Expenses	271,667	1,347,951
Real Estate Tax	5,100	9,017
Stipends	13,854	13,854
Debt Service:		
Redemption of Principal	150,000	-
Interest and Fiscal Charges	156,109	156,109
	647,121	1,548,108
Total Cash Receipts Over/(Under) Cash Disbursements	149,507	(112,043)
Fund Cash Balance, January 1	67,419	179,462
Fund Cash Balance, December 31	\$ 216,926	\$ 67,419

See accompanying notes to the basic financial statements

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Guernsey County Port Authority, Guernsey County, (the Authority) is a body corporate and politic established to promote, develop and advance the general welfare, commerce and economic development of Guernsey County and its citizens and to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a five-member Board of Directors appointed by the Guernsey County Commissioners.

The Authority facilitates the transfer of real property from local governmental entities to private businesses. If applicable, these transactions are described as property sold and property purchased in the financial statements.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Deposits

All deposits are maintained in interest bearing checking accounts or a money market savings account.

D. Property, Plant and Equipment

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code 4582.13 requires the Authority to budget annually. According to the by-laws, the budget for the next calendar year will be presented for approval at the January board meeting.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Loan Repayments and Loans Disbursed

The Authority makes loans to various small businesses to encourage business development. These loans are made through the USDA Revolving Loan Fund. Activity on these loans is described as loan repayments and loans disbursed on the financial statements. Repayments are used to finance additional loans.

2. EQUITY IN POOLED DEPOSITS

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

	2010	2009
Demand deposits	\$ 166,018	\$ 16,891
Savings deposits	50,908	50,528
Total deposits	<u>\$ 216,926</u>	<u>\$ 67,419</u>

Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
	Receipts	Receipts	Variance
Port Authority	\$ 795,901	\$ 796,628	\$ 727
Total	<u>\$ 795,901</u>	<u>\$ 796,628</u>	<u>\$ 727</u>

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
Port Authority	\$ 647,121	\$ 647,121	\$ -
Total	\$ 647,121	\$ 647,121	\$ -

2009 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
Port Authority	\$ 1,436,065	\$ 1,436,065	\$ -
Total	\$ 1,436,065	\$ 1,436,065	\$ -

2009 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
Port Authority	\$ 1,548,108	\$ 1,548,108	\$ -
Total	\$ 1,548,108	\$ 1,548,108	\$ -

4. RISK MANAGEMENT

The Authority has obtained commercial insurance for the following risks;

- Public Official Liability and
- Commercial Crime

5. DEBT

Debt outstanding at December 31, 2010 was as follows:

	2010	
State of Ohio Loan	\$ 6,000,000	2.00%
Community Industrial Association Loan	422,175	5.00%
Total	\$ 6,422,175	

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

5. DEBT (Continued)

Both loans above relate to the expansion of the Detroit Diesel Remanufacturing East, Inc. project. Principal payments do not begin until 2011 for the State of Ohio loan. The principal of the CIA loan is due in 2016.

In 2009 the Authority entered into a loan agreement with Community Industrial Association for the purpose of paying initial expenses on the Gander Road Development Project. The loan was for \$150,000 at an interest rate of 0%. This loan was repaid in 2010.

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

Year ending December 31	State of Ohio	CIA Loan
2011	\$ 357,055	\$ 21,109
2012	693,309	21,109
2013	681,754	21,109
2014	670,199	21,109
2015	658,644	21,109
2016-2020	3,119,895	427,452
2021	389,759	-
	<u>\$ 6,570,615</u>	<u>\$ 532,997</u>

6. CONSORTIUM

The Authority is a member of a consortium of local government agencies in Guernsey County. This consortium has purchased property and is in the process of selling parcels to local or re-locating businesses. The activity of the consortium is included in the Authority's financial statements and is shown as Consortium Revenue and Consortium Expense.

7. LEASE INCOME

The Authority owns the building that Detroit Diesel Remanufacturing East, Inc. uses for their operations. There is a ten-year lease between both parties with rent being \$13,304 a month through May 2011, then monthly payments of \$44,730 until the end of the lease. The amount of lease income for 2010 and 2009 was \$ 159,653 and \$ 159,654, respectively.

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

8. CONTINGENT LIABILITIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor. Grantors 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.

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

March 10, 2011

Guernsey County Port Authority
Guernsey County
806 Cochran Avenue
Cambridge, Ohio 43725

To the Board of Directors:

We have audited the financial statements of **Guernsey County Port Authority, Guernsey County, Ohio** (the Authority) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 10, 2011, wherein we noted the Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated March 10, 2011.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

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Dave Yost • Auditor of State

GUERNSEY COUNTY PORT AUTHORITY

GUERNSEY 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
MAY 5, 2011**