



**Auditor of State  
Betty Montgomery**



**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Tuscarawas County Port Authority  
Tuscarawas County  
339 Oxford Street  
Dover, Ohio 44622

To the Board of Directors:

We have audited the accompanying basic financial statements of the Tuscarawas County Port Authority, Tuscarawas County, Ohio, (the Port Authority) a component unit of Tuscarawas County, as of and for the years ended December 31, 2004 and 2003, and its discretely presented component unit as of and for the year ended December 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Port Authority's management. 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tuscarawas County Port Authority, Tuscarawas County, Ohio, and of its discretely presented component unit as of December 31, 2004 and 2003, and the respective changes in financial position and cash flows, where applicable, 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 September 30, 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 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

September 30, 2005

**TUSCARAWAS COUNTY PORT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Years ended December 31, 2004 and 2003**  
**(Unaudited)**

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The discussion and analysis of the Tuscarawas County Port Authority's (Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers are encouraged to consider information presented here as well as the basic financial statements to enhance their understanding of the Port Authority's financial performance.

**Using this Financial Report**

This annual report consists of two parts, the MD&A and the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets and a statement of cash flows. Since the Port Authority only uses one fund for its operations, the entity-wide and the fund presentation information is the same.

***Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets***

The Statement of Net Assets answers the question, "How did we do financially during 2004 and 2003?" This statement includes all assets and liabilities, both financial and capital, and current and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. The basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This change in net assets is important because it tells the reader whether, for the Port Authority as a whole, the financial position of the Port Authority has improved or diminished. However, in evaluating the overall position of the Port Authority, non-financial information such as changes in the condition of the Port Authority's capital assets will also need to be evaluated.

This section contains a condensed comparison of assets, liabilities, net assets, revenues and expenses and explanations for significant differences.

In the statement of net assets and the statement of activities, the Port Authority is divided into two kinds of activities:

- ***Business Type Activities*** – These services are provided on a charge for goods or services basis to recover all or most of the cost of services provided.
- ***Component Unit*** – The Port Authority's 2004 financial statements include financial data of the Business Park Incubator. This component unit is described in the notes to the financial statements. The component unit is separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

**TUSCARAWAS COUNTY PORT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Years ended December 31, 2004 and 2003**  
**(Unaudited)**

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Table 1 provides a summary of the Port Authority's net assets for 2004, 2003, and 2002.

<b>Table 1</b>			
<b>Net Assets</b>			
	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Assets:</b>			
Current and other assets	\$ 73,790	\$ 896,507	\$ 27,760
Capital assets	5,240,154	4,334,656	209,277
<b>Total Assets</b>	<u>5,313,944</u>	<u>5,231,163</u>	<u>237,037</u>
<b>Liabilities:</b>			
Current liabilities	2,385,540	2,331,753	164,763
Long-term liabilities	2,664,959	2,809,729	0
<b>Total Liabilities</b>	<u>5,050,499</u>	<u>5,141,482</u>	<u>164,763</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	320,589	189,169	51,555
Unrestricted	<u>(57,144)</u>	<u>(99,488)</u>	<u>20,719</u>
<b>Total Net Assets</b>	<u><u>263,445</u></u>	<u><u>89,681</u></u>	<u><u>72,274</u></u>

Total assets in 2004 increased by \$82,781. The increase is due to the purchase of additional property. Total liabilities in 2004 decreased by \$90,983. The decrease is due to the payment of debt.

Total assets in 2003 increased \$4,994,126. The purchase and renovation of the AK Steel Property was the contributing factor for the increase of assets in 2003. Total liabilities increased \$4,976,719. The increase in total liabilities in 2003 was a result of the Port Authority obtaining short term notes from Tuscarawas County and a long term loan from a Tuscarawas County Bank Consortium.

**TUSCARAWAS COUNTY PORT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Years ended December 31, 2004 and 2003**  
**(Unaudited)**

Table 2 shows the changes in net assets for the years ended December 31, 2004, 2003 and 2002. Since this is the second year the Port Authority is reporting under the GASB 34 reporting model, revenue and expense comparisons can be made between the years 2002, 2003 and 2004. Total net assets increased by \$173,764 in 2004. This number reflects an increase in net assets due to increased rental revenues. In 2003, total net assets increased \$17,407. This decrease was a result of increased activity as 2003 was the first full year of operations for the Port Authority.

**Table 2**  
**Revenues and Expenses**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Operating Revenues:</b>			
Rentals	<u>\$ 754,379</u>	<u>\$ 458,630</u>	<u>\$ 153,800</u>
<b>Operating Expenses:</b>			
Salaries and benefits	166,399	151,474	54,897
Contractual services	71,737	48,498	4,754
Material and supplies	5,553	4,197	1,287
Insurance	26,926	21,529	0
Travel	1,433	0	993
Utilities	44,124	46,642	3,537
Depreciation	30,891	23,254	0
Other	8,498	8,111	16,157
<b>Total Operating Expenses</b>	<u>355,561</u>	<u>303,705</u>	<u>81,625</u>
<b>Operating Income</b>	398,818	154,925	72,175
<b>Non-Operating Revenues:</b>			
Interest	1,973	5,867	732
Other income	190	0	0
<b>Total Non-Operating Revenues</b>	<u>2,163</u>	<u>5,867</u>	<u>732</u>
<b>Non-Operating Expenses:</b>			
Interest and fiscal charges	<u>(227,217)</u>	<u>(143,385)</u>	<u>(633)</u>
<b>Net Non-Operating Expenses</b>	<u>(227,217)</u>	<u>(143,385)</u>	<u>(633)</u>
<b>Increase in Net Assets</b>	<u>\$ 173,764</u>	<u>\$ 17,407</u>	<u>\$ 72,274</u>

**TUSCARAWAS COUNTY PORT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Years ended December 31, 2004 and 2003**  
**(Unaudited)**

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**Capital Assets**

At the end of year 2004, the Port Authority had \$5,240,144 invested in land, buildings, office equipment and vehicles. Table 3 shows fiscal year 2004 balances compared with 2003 and 2002.

**Table 3**  
**Capital Assets at December 31, 2004, 2003 and 2002**  
**(Net of Depreciation)**

	2004	2003	2002
Land	\$ 674,620	\$ 624,620	\$ 0
Buildings and Improvements	1,067,279	830,418	0
Vehicles	9,806	12,608	0
Office Equipment	748	0	0
Construction in Progress	3,487,691	2,867,010	209,277
<b>Totals</b>	<b>\$ 5,240,144</b>	<b>\$ 4,334,656</b>	<b>\$ 209,277</b>

The \$905,488 increase in capital assets in 2004 was attributable to the renovation of existing property and the purchase of additional property. Capital assets increased \$4,125,379 in 2003. This increase was a result of the purchase and renovation of the AK Steel property. Note 3 provides capital asset activity during 2004 and 2003.

**Long-Term Debt**

The outstanding debt for the Port Authority as of December 31, 2004 was \$2,809,729. This balance reflected a reduction of \$153,383 from the previous year's balance of \$2,963,112, a reduction of 5%. Table 4 summarizes outstanding debt.

**Table 4**  
**Debt**

	2004	2003
Loans Payable	\$ 2,809,729	\$ 2,963,112

Additional information concerning the Port Authority's debt can be found in Note 7 to the basic financial statements.

**Current Issues**

**Acquisition of Gundy Property**

Tuscarawas County Port Authority purchased the Gundy property for \$317,500 in January 2004. The building is approximately 20,000 square feet and is located in Midvale, Ohio Industrial Park.

**Contacting the Tuscarawas County Port Authority's Financial Management**

This financial report is intended to provide our citizens, investors and creditors with a general overview of the Port Authority's finances and to demonstrate the Port Authority's accountability for the revenue it receives. If you have questions about this report or need additional financial information, contact the Executive Director at the Tuscarawas County Port Authority, 339 Oxford Street, Dover, Ohio 44622.

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

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

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Business-Type Activities</b>	<b>Business Park Incubator</b>
<b>Assets:</b>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$55,360	\$1,727
Intergovernmental Receivable	18,430	6,499
<i>Total Current Assets</i>	73,790	8,226
<i>Noncurrent Assets:</i>		
Deposits	10	0
Nondepreciable Capital Assets	4,162,311	0
Depreciable Capital Assets - Net	1,077,833	36,327
<i>Total Noncurrent Assets</i>	5,240,154	36,327
<i>Total Assets</i>	5,313,944	44,553
<b>Liabilities:</b>		
<i>Current Liabilities:</i>		
Accounts Payable	4,611	0
Commissions Payable	31,489	0
Accrued Wages	4,014	0
Intergovernmental Payable	10,046	4,688
Accrued Interest Payable	80,784	0
Loans Payable	144,770	
Notes Payable	2,109,826	7,578
<i>Total Current Liabilities</i>	2,385,540	12,266
<i>Long-Term Liabilities:</i>		
Loans Payable - net of current portion	2,664,959	0
<i>Total Liabilities</i>	5,050,499	12,266
<b>Net Assets:</b>		
Invested in Capital Assets, net of related debt	320,589	28,749
Unrestricted	(57,144)	3,538
<i>Total Net Assets</i>	\$263,445	\$32,287

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

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
DECEMBER 31, 2003**

	<u>2003</u>
<b>Assets:</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash & Cash Equivalents	\$896,507
<i>Noncurrent Assets:</i>	
Nondepreciable Capital Assets	3,491,630
Depreciable Capital Assets - Net	843,026
<i>Total Noncurrent Assets</i>	<u>4,334,656</u>
 <i>Total Assets</i>	 <u><u>5,231,163</u></u>
<b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Accounts Payable	18,222
Commissions Payable	56,489
Accrued Wages	1,278
Intergovernmental Payable	5,363
Accrued Interest Payable	29,518
Loans Payable	153,383
Notes Payable	<u>2,067,500</u>
 <i>Total Current Liabilities</i>	 <u>2,331,753</u>
<i>Long-Term Liabilities:</i>	
Loans Payable, net of current portion	<u>2,809,729</u>
 <i>Total Liabilities</i>	 <u><u>5,141,482</u></u>
<b>Net Assets:</b>	
Invested in Capital Assets, net of related debt	189,169
Unrestricted	<u>(99,488)</u>
 <i>Total Net Assets</i>	 <u><u>\$89,681</u></u>

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

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

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

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Business-Type Activities</b>	<b>Business Park Incubator</b>
<b>OPERATING REVENUES:</b>		
Contributions	\$0	\$28,501
Rentals	754,379	10,864
<b>Total Operating Revenues</b>	<b>754,379</b>	<b>39,365</b>
<b>OPERATING EXPENSES:</b>		
Salaries and Benefits	166,399	0
Contractual Services	71,737	0
Materials & Supplies	5,553	215
Insurance and Bonding	26,926	500
Travel	1,433	0
Utilities	44,124	8,454
Depreciation	30,891	3,777
Other	8,498	399
<b>Total Operating Expenses</b>	<b>355,561</b>	<b>13,345</b>
<b>Operating Income</b>	<b>398,818</b>	<b>26,020</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Intergovernmental	0	6,499
Interest Income	1,973	0
Interest and Fiscal Charges	(227,217)	(232)
Other Income	190	0
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(225,054)</b>	<b>6,267</b>
<b>Change in Fund Net Assets</b>	<b>173,764</b>	<b>32,287</b>
Net Assets Beginning of Year	89,681	0
Net Assets End of Year	<b>\$263,445</b>	<b>\$32,287</b>

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



**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<i>Cash Flows Provided by Operating Activities:</i>		
Cash Received from Customers	791,143	458,630
Cash Payments to Employees for Services and Benefits	(163,561)	(149,745)
Cash Payments for Contractual Services	(166,060)	(72,639)
Cash Payments to Suppliers for Materials and Supplies	(5,553)	(4,324)
Cash Payments for Other Operating Expenses	(6,196)	(7,636)
	<b>449,773</b>	<b>224,286</b>
<i>Net Cash Provided by Operating Activities</i>		
 <i>Cash Flows from Noncapital Financing Activities</i>		
Intergovernmental	(18,430)	0
Other Income	190	0
	<b>(18,240)</b>	<b>0</b>
<i>Net Cash Used by Noncapital Financing Activities</i>		
 <i>Cash Flows from Capital and Related Financing Activities</i>		
Proceeds from Note	2,109,826	2,817,500
Proceeds from Loan	0	3,000,000
Purchase of Capital Assets	(936,379)	(4,148,633)
Principal Payments on Debt	(2,220,883)	(886,888)
Interest Paid on all Debt	(227,217)	(143,385)
	<b>(1,274,653)</b>	<b>638,594</b>
<i>Cash Flows Provided by (Used for) Capital and Related Financing Activities</i>		
 <i>Cash Flows from Investing Activities</i>		
Interest on Investments	1,973	5,867
	<b>1,973</b>	<b>5,867</b>
<i>Cash Flows Provided by Investing Activities</i>		
Net Increase (Decrease) in Cash	(841,147)	868,747
<i>Cash Beginning of Year</i>	896,507	27,760
<i>Cash End of Year</i>	<b>\$55,360</b>	<b>\$896,507</b>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<b>Operating Income</b>	398,818	154,925
<i>Adjustments to Reconcile Operating Income to Net Cash Adjustments:</i>		
Depreciation	30,891	23,254
<i>(Increase) in Assets</i>		
Other Assets	(10)	0
<i>Increase (Decrease) in Liabilities:</i>		
Accounts Payable	(13,611)	(40,996)
Commissions Payable	(25,000)	56,489
Accrued Wages	2,736	1,278
Accrued Interest Payable	51,266	28,885
Intergovernmental Payable	4,683	451
	<b>50,955</b>	<b>69,361</b>
<i>Total Adjustments</i>		
<b>Net Cash Provided by Operating Activities</b>	<b>\$449,773</b>	<b>\$224,286</b>

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

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**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 and 2003**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Tuscarawas County Port Authority (the Port Authority) is presented to assist in understanding the entity's financial statements. The financial statements and notes are representations of the entity's management and board who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles for governmental agencies including those principles prescribed by the Governmental Accounting Standard Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of States, Local Governments, and Not-For-Profit Organizations Receiving Federal Awards* and by The Financial Accounting Standards Board (FASB) (when applicable). The above policies have been consistently applied in the preparation of the financial statements.

**A. Reporting Entity**

The Tuscarawas County Port Authority, Tuscarawas County, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Section 4582.02 of the Ohio Revised Code. The Port Authority is governed by a five-member Board of Directors. Members of the Board are appointed by the Tuscarawas County Commissioners. The purpose of the Port Authority is to be involved in the activities that enhance, foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Tuscarawas County.

The Port Authority is a component unit of Tuscarawas County since the members of the Port Authority are appointed by the Tuscarawas County Board of Commissioners and the Port Authority is economically dependent on the County for financial support. Tuscarawas 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. Tuscarawas County maintains its own accounting functions, is a separate reporting entity, and its financial activity is not included within the financial statements of the Port Authority.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Port Authority consists of its general operating fund.

Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization's governing board and (1) the Port Authority is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Port Authority is legally entitled to or can otherwise access the organization's resources; the Port Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits or, or provide financial support to, the organization; or the Port Authority is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the Port Authority in that the Port Authority approves the budget, the issuance of debt or the levying of taxes.

*Discretely Presented Component Unit* The component unit column in the entity-wide financial statements identify the financial date of the Port Authority's component unit, Business Park Incubator. It is reported separately to emphasize that it is legally separate from the Port Authority.

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 and 2003  
(Continued)**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***A. Reporting Entity (Continued)***

*Business Park Incubator* The Business Park Incubator, Inc. (the "Business Park") is a legally separate entity and was incorporated as a not-for-profit under the laws of the State of Ohio on August 7, 2003. Operations of the Business Park commenced March 1, 2004. The Business Park was organized for the purpose to develop and promote a business incubator in order to aid development of scalable, light manufacturing, assembly, service, or other businesses within Tuscarawas County and the surrounding areas and communities. The Business Park's Board members are appointed by the Tuscarawas County Port Authority's Board of Directors. Since the Business Park imposes a financial burden on the Tuscarawas County Port Authority, the Business Park is reflected as a component unit of the Port Authority. Financial statements can be obtained from Andy Chapman, Treasurer, Business Park Incubator, 315 East Broadway, Dover, Ohio 44622.

The Port Authority's management believes these financial statements present all activities for which the Port Authority is financial accountable. The Port Authority was formed on January 17, 2001.

***B. Basis of Accounting***

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 after November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

The Port Authority's financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

The Port Authority uses a single enterprise fund 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.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

***C. Measurement Focus***

The enterprise fund is accounted for on a 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 fund 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 enterprise activity.

***D. Fund Accounting***

The Port Authority maintains an Enterprise Fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the Port Authority. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 and 2003  
(Continued)**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. Budgetary Process***

Ohio Rev. Code Section 4582.13, requires that each fund be budgeted annually. This budget includes estimated receipts and appropriations.

**1. Appropriations**

The Board annually approves appropriations and subsequent amendments. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**3. Encumbrances**

The Port Authority reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and are not reappropriated.

Contrary to Ohio Rev. Code Section 5705.41(D), the Port Authority had expenditures which were not certified by the Executive Director as to the availability of funds, prior to incurring the obligation. Also, contrary to Ohio Rev. Code Section 5705.41(B), the Port Authority had expenditures which exceeded appropriations.

***F. Capital Assets***

Capital assets utilized by the Port Authority are reported on the statement of net assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are reported at their fair market values as of the date received. The Port Authority maintains a capitalization threshold of five hundred dollars. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Depreciation is computed using the straight-line method over the following useful lives:

Land	N/A
Buildings and Improvements	39 Years
Vehicles	5 Years
Office Equipment	7 Years

***G. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. 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, grantors or laws or regulations of other governments. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Port Authority did not have any restricted net assets for 2004 and 2003.

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 and 2003  
(Continued)**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***H. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from primary activities. For the Port Authority, these revenues are rental income and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority.

***I. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2: CASH**

Statutes require the classification of funds held by the Port Authority into three categories:

**Category 1** consists of “active funds – those funds required to be kept in “cash” or “near cash” status for immediate use by the Port Authority. Such funds must be maintained either as cash in the Port Authority’s treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

**Category 2** consists of “inactive” funds – those funds not required for use within the current two-year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

**Category 3** consists of “interim” funds – those funds not needed for immediate use by needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the 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;
- Written repurchase agreements in the 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 2% and be marked to market daily, and that the term of the agreement not exceed thirty days.
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 and 2003  
(Continued)**

**NOTE 2: CASH (Continued)**

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAROhio).

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Port Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligation of any state, country, municipal corporation or other authority.

**Deposits**

At December 31, 2004 and 2003, the carrying amount of the Port Authority's deposits were \$55,360 and \$896,507, respectively and the bank balances were \$58,867 and \$897,867, respectively, which was covered by both Federal Depository Insurance and Pledged Securities.

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2003 was as follows:

	<b>Balance 1/1/2003</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2003</b>
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$0	\$624,620	\$0	\$624,620
Construction in progress	209,277	2,757,733	(100,000)	2,867,010
<b><i>Total Capital Assets not being depreciated:</i></b>	<b>209,277</b>	<b>3,382,353</b>	<b>(100,000)</b>	<b>3,491,630</b>
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and improvements	0	852,271	0	852,271
Vehicles	0	14,009	0	14,009
Office equipment	0	0	0	0
<b><i>Total Capital Assets, being depreciated</i></b>	<b>0</b>	<b>866,280</b>	<b>0</b>	<b>866,280</b>
<b><i>Less: Accumulated depreciation:</i></b>				
Buildings and improvements	0	(21,853)	0	(21,853)
Vehicles	0	(1,401)	0	(1,401)
Office equipment	0	0	0	0
<b><i>Total accumulated depreciation</i></b>	<b>0</b>	<b>(23,254)</b>	<b>0</b>	<b>(23,254)</b>
Total Capital Assets being depreciated, Net	0	843,026	0	843,026
Capital Assets, Net	<b>\$209,277</b>	<b>\$4,225,379</b>	<b>(\$100,000)</b>	<b>\$4,334,656</b>

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 and 2003  
(Continued)**

**NOTE 3: CAPITAL ASSETS (Continued)**

Capital asset activity for the fiscal year ended December 31, 2004 was as follows:

	<u>Balance 1/1/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2004</u>
<b>Capital Assets, not being depreciated:</b>				
Land	\$624,620	\$50,000	\$0	\$674,620
Construction in progress	2,867,010	620,681	0	3,487,691
<b>Total Capital Assets not being depreciated:</b>	<u>3,491,630</u>	<u>670,681</u>	<u>0</u>	<u>4,162,311</u>
<b>Capital Assets, being depreciated:</b>				
Buildings and improvements	852,271	264,941	0	1,117,212
Vehicles	14,009	0	0	14,009
Office equipment	0	757	0	757
<b>Total Capital Assets, being depreciated</b>	<u>866,280</u>	<u>265,698</u>	<u>0</u>	<u>1,131,978</u>
<b>Less: Accumulated depreciation:</b>				
Buildings and improvements	(21,853)	(28,080)	0	(49,933)
Vehicles	(1,401)	(2,802)	0	(4,203)
Office equipment	0	(9)	0	(9)
<b>Total accumulated depreciation</b>	<u>(23,254)</u>	<u>(30,891)</u>	<u>0</u>	<u>(54,145)</u>
Total Capital Assets being depreciated, Net	<u>843,026</u>	<u>234,807</u>	<u>0</u>	<u>1,077,833</u>
Capital Assets, Net	<u>\$4,334,656</u>	<u>\$905,488</u>	<u>\$0</u>	<u>\$5,240,144</u>

**NOTE 4: DEFINED BENEFIT PENSION PLANS**

**Pension Benefit Obligation**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations. The Port Authority is required to contribute 13.55%. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Port Authority's required contributions for pension obligation to OPERS for the years ended December 31, 2004, 2003 and 2002 were \$11,225, \$10,391 and \$3,700, respectively. The full amount has been contributed for 2003 and 2002. 80% has been contributed for 2004 with the remainder being reported as an intergovernmental payable.

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 and 2003  
(Continued)**

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**NOTE 4: DEFINED BENEFIT PENSION PLANS (Continued)**

***Post-Employment Benefits***

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2004 was 13.55% of covered payroll; 5% was the portion that was used to fund health care. The Port Authority's required contributions for healthcare to OPERS for the years ended December 31, 2004, 2003 and 2002 were \$6,564, \$6,077, and \$2,163, respectively.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll between .5% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4% annually.

All investments are carried at market. For actuarial purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 369,885. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of death benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

**NOTE 5: RISK MANAGEMENT**

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.

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

- Comprehensive property and general liability
- Errors and omissions
- General liability and casualty

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past two fiscal years. There has not been a significant reduction in coverage from the prior year.

The Port Authority also provided health insurance and vision coverage to full-time employees through the Tuscarawas County Employees Self-Insurance Plan.

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 and 2003  
(Continued)**

**NOTE 6: NOTE PAYABLE – TUSCARAWAS COUNTY**

In January 2003 the Tuscarawas County Commissioners approved a \$1,500,000 loan to enable the Port Authority to acquire the AK Steel property. \$850,000 was repaid in March 2003. Terms of the loan will include a 3% interest rate for the first year and 5% rate if it is renewed the following year.

In February 2003 the Tuscarawas County Commissioners approved a \$250,000 loan to enable the Port Authority to start renovations to the acquired AK Steel property. Terms of the loan will include a 3% interest rate for the first year and a 5% rate if it is renewed the following year.

In March 2003 the Port Authority repaid \$850,000 of the outstanding loans listed above from the proceeds of the loan made by the Tuscarawas County Bank Consortium to the Port Authority.

In June 2003 the Tuscarawas County Commissioners approved a \$150,000 loan to enable the Port Authority to continue operations from July 2003 through June 2004. Terms of the loan will include a 3% interest rate for the first year and a 5% rate if it is renewed the following year.

In October 2003 the Tuscarawas County Commissioners approved a \$317,500 loan to enable the Port Authority to acquire the Rolite Plastics Midvale property. Terms of the loan will include a 3% interest rate for the first year and a 5% rate if it is renewed the following year.

In December 2003 the Tuscarawas County Commissioners approved a \$600,000 loan to enable the Port Authority to make the necessary renovations in 60,000 square feet of the Port Authority's Business Park for Rolite Plastics. Terms of the loan will include a 3% interest rate for the first year and a 5% rate if it is renewed the following year.

Changes in note obligations of the Port Authority during the year ended December 31, 2003 consisted of the following:

	Outstanding 1/1/2003	Additions	Reductions	Outstanding 12/31/2003	Amounts Due In One Year
Promissory Note 1 - 3%	100,000	0	(100,000)	0	0
Promissory Note 2 - 3%	0	1,500,000	(750,000)	750,000	750,000
Promissory Note 3 - 3%	0	250,000	0	250,000	250,000
Promissory Note 4 - 3%	0	150,000	0	150,000	150,000
Promissory Note 5 - 3%	0	317,500	0	317,500	317,500
Promissory Note 6 - 3%	0	600,000	0	600,000	600,000
<b>Total</b>	<u>\$100,000</u>	<u>\$2,817,500</u>	<u>(\$850,000)</u>	<u>\$2,067,500</u>	<u>\$2,067,500</u>

Changes in note obligations of the Port Authority during the year ended December 31, 2003 consisted of the following:

	Outstanding 1/1/2004	Additions	Reductions	Outstanding 12/31/2004	Amounts Due In One Year
Promissory Note 2 - 3%	750,000	769,103	(750,000)	769,103	769,103
Promissory Note 3 - 3%	250,000	257,048	(250,000)	257,048	257,048
Promissory Note 4 - 3%	150,000	154,500	(150,000)	154,500	154,500
Promissory Note 5 - 3%	317,500	311,175	(317,500)	311,175	311,175
Promissory Note 6 - 3%	600,000	618,000	(600,000)	618,000	618,000
<b>Total</b>	<u>\$2,067,500</u>	<u>\$2,109,826</u>	<u>(\$2,067,500)</u>	<u>\$2,109,826</u>	<u>\$2,109,826</u>

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 and 2003  
(Continued)**

**NOTE 7: LONG-TERM LOANS PAYABLE – TUSCARAWAS COUNTY BANK CONSORTIUM**

Changes in long-term obligations of the Port Authority during the year ended December 31, 2003 consisted of the following:

	<u>Outstanding 1/1/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2003</u>	<u>Amounts Due In One Year</u>
General long-term obligations:					
Loans Payable	<u>\$ 0</u>	<u>\$ 3,000,000</u>	<u>\$ (36,888)</u>	<u>\$ 2,963,112</u>	<u>\$ 153,383</u>

Changes in long-term obligations of the Port Authority during the year ended December 31, 2004 consisted of the following:

	<u>Outstanding 1/1/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2004</u>	<u>Amounts Due In One Year</u>
General long-term obligations:					
Loans Payable	<u>\$ 2,963,112</u>	<u>\$ 0</u>	<u>\$ (153,383)</u>	<u>\$ 2,809,729</u>	<u>\$ 144,770</u>

In March 2004, the following banks agreed to loan the Port Authority a total of \$3,000,000:

- Belmont National Bank
- Citizens Bank
- First Federal Community Bank
- First National Bank of Dennison
- Huntington National Bank
- Indian Village Community Bank
- National City Bank

The proceeds were used to pay \$850,000 on the loan from Tuscarawas County and provide funds to renovate the AK Steel building.

The loan will bear interest at prime plus 0% floating with a 5% floor rate and will be amortized over a 180 month period after a six-month period of interest only. The interest rate and payment is reset annually. The loan also requires covenants for minimum debt service coverage, minimum cash position, and minimum net worth. There is no prepayment penalty on the loan.

In addition to the first mortgage on the AK Steel property, the Tuscarawas County Commissioners agreed to guaranty \$1,500,000 or 50% of the outstanding balance on the bank promissory note, which will decline as the note is paid down.

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 and 2003  
(Continued)**

**NOTE 7: LONG-TERM LOANS PAYABLE – TUSCARAWAS COUNTY BANK CONSORTIUM  
(Continued)**

The annual requirements to retire debt are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$ 144,770	\$ 149,340	\$ 294,110
2006	148,283	142,883	291,166
2007	156,658	134,507	291,165
2008	165,495	125,670	291,165
2009	174,830	116,335	291,165
2010-2014	1,033,687	422,142	1,455,829
2015-2018	986,006	107,601	1,093,607
<b>Totals</b>	<b>\$ 2,809,729</b>	<b>\$ 1,198,478</b>	<b>\$ 4,008,207</b>

**NOTE 8: CONCENTRATION OF CREDIT RISK**

The Port Authority maintains its activities within the Tuscarawas County, Ohio geographical area. The performance of its operational activities will be dependent on the performance of its tenants. The results of these companies and the operations of the Port Authority projects may be dependent on the economical conditions of the local trade area.

**NOTE 9: BUSINESS PARK INCUBATOR – COMPONENT UNIT**

**A. Description of Business Park Incubator**

The Business Park Incubator, Inc. (the “Business Park”) was incorporated as a not-for-profit under the laws of the State of Ohio on August 7, 2003. Operations of the Business Park commenced March 1, 2004. The Business Park was organized for the purpose to develop and promote a business incubator in order to aid development of scalable, light manufacturing, assembly, service, or other businesses within Tuscarawas County and the surrounding areas and communities. On March 22, 2005 the Business Park received an exemption from Federal income tax under IRC Section 501(c)(3), effective August 7, 2003. Since the Business Park imposes a financial burden on the Tuscarawas County Port Authority, the Business Park is reflected as a component unit of the Port Authority. The Business Park has a December 31 year end.

**B. Summary of Significant Accounting Policies**

The Business Park reports its operations as a single enterprise fund. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business where the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 and 2003  
(Continued)**

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**NOTE 9: BUSINESS PARK INCUBATOR – COMPONENT UNIT (Continued)**

***B. Summary of Significant Accounting Policies (Continued)***

**1. Measurement Focus and Basis of Accounting**

The Business Park's fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. Net assets (i.e., equity) is segregated into invested in capital assets, net of related debt, and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made. The Business Park uses the full accrual basis of accounting in which revenue is recognized when earned and expenses when incurred.

**2. Cash**

To improve cash management, cash received by the Business Park is pooled in a central bank account. The Business Park has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code.

**3. Property, Plant, Equipment and Depreciation**

Capital assets at the Business Park are capitalized. All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year.

Donated capital assets are recorded at their fair market values as of the date donated.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fund fixed assets.

Depreciation is computed using the straight-line basis over the following estimated useful lives:

<u>Estimated Lives</u>	<u>Description</u>
10 Years	Improvements other than buildings
5-10 Years	Office equipment

**4. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

***C. Deposits and Investments***

The Business Park follows the same statutory requirements for deposits and investments as the primary government (See Note 2).

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 and 2003  
(Continued)**

**NOTE 9: BUSINESS PARK INCUBATOR – COMPONENT UNIT (Continued)**

***D. Risk Management***

The Business Park is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.

The Business Park has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions
- General liability and casualty

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past nine months.

***E. Capital Assets***

A summary of the Business Park's capital assets at December 31, 2004 follows:

	<b>Balance 12/31/2003</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2004</b>
<i>Depreciated Capital Assets:</i>				
Improvements other than buildings	\$0	\$28,768	\$0	\$28,768
Furniture and equipment	0	11,336	0	11,336
Total Cost	0	40,104	0	40,104
<i>Less: Accumulated depreciation:</i>				
Improvements other than buildings	0	(2,210)	0	(2,210)
Furniture and equipment	0	(1,567)	0	(1,567)
Total accumulated depreciation	0	(3,777)	0	(3,777)
Total capital assets being depreciated, net	\$0	\$36,327	\$0	\$36,327

***F. Notes Payable – First Federal Community Bank***

In March 2004 the Business Park entered into a loan agreement for \$7,578 with First Federal Community Bank for the purchase of Dell computers. Terms of the loan include a 4% interest rate and the loan is due in May 2005.

	Outstanding 1/1/2004	Additions	Reductions	Outstanding 12/31/2004	Amounts Due In One Year
Loans Payable	\$ 0	\$ 7,578	\$ 0	\$ 7,578	\$ 7,578



## 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*

Tuscarawas County Port Authority  
Tuscarawas County  
339 Oxford Street  
Dover, Ohio 44622

To the Board of Directors:

We have audited the basic financial statements of the Tuscarawas County Port Authority, Tuscarawas County, Ohio, (the Port Authority) a component unit of Tuscarawas County, as of and for the years ended December 31, 2004 and 2003, and its discretely presented component unit as of and for the years ended December 31, 2004, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated September 30, 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 opinions on the 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 material weaknesses. In a separate letter to the Port Authority's management dated September 30, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. In a separate letter to the Port Authority's management dated September 30, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Tuscarawas County Port Authority  
Tuscarawas County  
Independent Accountants' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, 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

September 30, 2005

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Noncompliance Citations**

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

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 that both at the time that the contract or order was made ("then"), and at the time that the Fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Port Authority can authorize the drawing of a warrant for the payment of the amount due. The Port Authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the Fiscal officer without a resolution or ordinance 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 or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 Authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the seventy-five expenses tested were certified by the Executive Director (the Port Authority's fiscal officer) prior to incurring the commitment and none of the exceptions noted above were utilized. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are 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

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

**FINDING NUMBER 2004-001 (Continued)**

budgetary spending limitations, we recommend the Fiscal officer certify the 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.

We recommend the Port Authority certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal officer should sign the certification at the time the Port Authority incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2004-002**

**Ohio Rev. Code Section 5705.41(B)** requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2004, function level expenditures exceeded appropriations within the following:

<u>Function</u>	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Contractual Services	35,000	71,737	(36,737)
Materials & Supplies	1,200	5,553	(4,353)
Insurance	22,000	26,926	(4,926)
Travel	500	1,433	(933)
Utilities	10,250	44,124	(33,874)
Other	3,975	8,498	(4,523)

At December 31, 2003, function level expenditures exceeded appropriations within the following:

<u>Function</u>	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Salaries & Benefits	146,600	151,474	(4,874)
Materials & Supplies	600	4,197	(3,597)
Utilities	43,572	46,642	(3,070)
Other	3,120	8,111	(4,991)

The Executive Director should frequently compare actual expenditures to appropriations at the function level to avoid overspending.

**FINDING NUMBER 2004-003**

**Ohio Rev. Code Section 135.18** requires the fiscal officer of any public subdivision to require all depositories holding public funds to provide security for those public funds in an amount equal to the amount of deposit with the institution.

The Port Authority had funds on deposit with a financial institution during 2003 which were not collateralized ranging from \$14,050 to \$1,160,861. To ensure public deposits are secured by either the federal deposit insurance, surety company bonds, or pledged securities; the Fiscal officer should require the financial institution to provide security for those public funds deposited.

**TUSCARAWAS COUNTY PORT AUTHORITY  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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>
2002-001	Ohio Rev. Code Section 5705.41(D) - expenditures were not properly certified	No	Not Corrected - Refer to Finding 2004-001.
2002-002	Board Monitoring Controls	Yes	Fully Corrected





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**TUSCARAWAS COUNTY PORT AUTHORITY**

**TUSCARAWAS 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  
DECEMBER 1, 2005**