



**Auditor of State
Betty Montgomery**

**MT. ORAB PORT AUTHORITY
BROWN COUNTY**

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**Auditor of State
Betty Montgomery**

Mt. Orab Port Authority
Brown County
750 S. High Street
Mt Orab, Ohio 45154

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

May 10, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Mt. Orab Port Authority
Brown County
750 S. High Street
Mt Orab, Ohio 45154

To the Board of Directors:

We have audited the accompanying financial statements of the Mt. Orab Port Authority, Brown County, Ohio (the Port Authority), as of and for the period from inception May 7, 2002 through December 31, 2004. 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 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 Port 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.

Revisions to GAAP would require the Port Authority to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (2003 and 2002), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Port Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Port Authority has elected not to reformat its statements. Since this Council does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Port Authority as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Mt Orab Port Authority, Brown County, Ohio for the period from inception May 7, 2002 through December 31, 2004 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Port Authority to include Management's Discussion and Analysis for the year ended December 31, 2004. The Port 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 May 10, 2006, 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.



Betty Montgomery
Auditor of State

May 10, 2006

**MT. ORAB PORT AUTHORITY
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General
Cash Receipts:	
Earnings on Investments	\$189
Other Revenue	1,250
Total Cash Receipts	1,439
Cash Disbursements:	
Professional Services	8,520
Real Estate Taxes	30,229
Miscellaneous	267
Insurance	3,391
Repayment of Debt	889,000
Utilities	1,542
Total Cash Disbursements	932,949
Total Receipts Over/(Under) Disbursements	(931,510)
Other Financing Receipts and (Disbursements):	
Proceeds from Loan	30,000
Sale of Real Estate	1,008,990
Total Other Financing Receipts/(Disbursements)	1,038,990
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	107,480
Fund Cash Balances, January 1	7,014
Fund Cash Balances, December 31	\$114,494

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

**MT. ORAB PORT AUTHORITY
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General
Cash Receipts:	
Rental Income	\$17,533
Earnings on Investments	65
Other Revenue	6,964
Total Cash Receipts	24,562
Cash Disbursements:	
Professional Services	16,885
Option Agreements	42,000
Maintenance and Repairs	1,612
Miscellaneous	722
Insurance	4,550
Utilities	2,546
Capital Outlay	359,000
Total Cash Disbursements	427,315
Total Receipts Over/(Under) Disbursements	(402,753)
Other Financing Receipts and (Disbursements):	
Proceed s of Debt	359,000
Total Other Financing Receipts/(Disbursements)	359,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(43,753)
Fund Cash Balances, January 1	50,767
Fund Cash Balances, December 31	\$7,014

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

**MT. ORAB PORT AUTHORITY
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE PERIOD MAY 7, 2002 THROUGH DECEMBER 31, 2002**

	General
Cash Receipts:	
Rental Income	\$3,417
Earnings on Investments	247
Other Revenue	75,139
Total Cash Receipts	78,803
Cash Disbursements:	
Professional Services	6,109
Option Agreements	21,829
Miscellaneous	98
Capital Outlay	500,000
Total Cash Disbursements	528,036
Total Receipts Over/(Under) Disbursements	(449,233)
Other Financing Receipts and (Disbursements):	
Proceeds of Debt	500,000
Total Other Financing Receipts/(Disbursements)	500,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	50,767
Fund Cash Balances, January 1	0
Fund Cash Balances, December 31	\$50,767

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

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**MT. ORAB PORT AUTHORITY
BROWN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Mt. Orab Port Authority, Brown County, Ohio (the Port Authority), is a body corporate and politic established to promote, develop and advance the general welfare, commerce, and economic development of Mt Orab and its citizens, and to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority was created on May 7, 2002. The Port Authority's three member Board is appointed by the Village of Mt Orab's Mayor with the advice and consent of the Village's Council.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Port Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The Port Authority uses fund accounting to segregate cash deposits that are restricted as to use. The Port Authority classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund of the Council. It is used to account for all financial resources, except those required by law or contract to be accounted for in another fund.

D. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH

The Port Authority maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The Port Authority's carrying amount of cash on deposit at December 31, 2004, 2003 and 2002 was \$114,494, \$7,014, and \$50,767 respectively.

**MT. ORAB PORT AUTHORITY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
MAY 7, 2002 THROUGH DECEMBER 31, 2004
(Continued)**

3. RISK MANAGEMENT

The Port Authority has obtained commercial insurance for director's and officer's protection.

4. RELATED PARTY/LOAN TRANSACTION

During 2004, the President of the Board of Directors loaned the Port Authority \$30,000 to temporarily prevent a fund deficit. The Port Authority repaid the entire \$30,000 during 2004 after they received the proceeds from the sale of property.

5. DEBT AND REAL ESTATE TRANSACTION ACTIVITY

On October 21, 2002, the Mt Orab Port Authority purchased property from Trinity Plant for \$500,000. The Port Authority obtained an interest free mortgage with Trinity Plant for \$400,000 due within five years and \$100,000 due within seven years.

Hawklime Industries had a lease for a portion of the property with the Port Authority and expended \$358,504 for improvements with the understanding that they would be reimbursed from the Mt Orab Port Authority. On April 17, 2003, Hawklime Industries filed a dispute against the Port Authority for not receiving timely reimbursement. On May 17, 2003, Hawklime Industries and the Port Authority agreed on a resolution and decided on a settlement agreement. On June 11, 2003, the Port Authority obtained a mortgage of \$359,000 with the George Fern Co. to pay settlement with Hawklime Industries.

On May 17, 2004, there was an additional settlement agreement with mutual release. The Brown County Industrial Park, LLC purchased the property and Fern Co. released the Mt Orab Port Authority from the two mortgages of \$500,000 and \$359,000. Additionally, the Brown County Industrial Park paid the Port Authority \$149,990.

6. Real Estate Options

The Port Authority purchased options to purchase real estate in 2002 and 2003.



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*

Mt. Orab Port Authority
Brown County
750 S. High Street
Mt Orab, Ohio 45154

To the Council:

We have audited the financial statements of the Mt. Orab Port Authority, Brown County, Ohio (the Port Authority) as of and for the period from inception May 7, 2002 through December 31, 2004 and have issued our report thereon dated May 10, 2006, wherein we noted the Port 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 Port Authority's internal control over financial reporting to determine our auditing procedures to express our opinion 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 May 10, 2006, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Port Authority's management dated May 10 2006, we reported a matter related to noncompliance we deemed immaterial.

Mt. Orab Port Authority
Brown 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 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

May 10, 2006



**Auditor of State
Betty Montgomery**

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MT ORAB PORT AUTHORITY

BROWN 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
JUNE 01, 2006**