

GUERNSEY COUNTY PORT AUTHORITY

AUDIT REPORT

JANUARY 1, 2005 - DECEMBER 31, 2006

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Guernsey County Port Authority, Guernsey County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2005 through December 31, 2006. 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 Auditors' 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 Auditors' 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 16, 2007

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**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY
JANUARY 1, 2005 - DECEMBER 31, 2006**

TABLE OF CONTENTS

Table of Contents	(i)
Independent Auditors' Report	1-2
Financial Statements	
Statement of Cash Receipts, Cash Disbursements, and Changes Cash Balances - For the Years Ended December 31, 2006 and 2005	3
Notes to the Financial Statements	4-6
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards.	7-8

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Guernsey County Port Authority, Guernsey County, a component unit of Guernsey County, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Guernsey County 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Guernsey County 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, 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 years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. 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 Port Authority 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Guernsey County Port Authority's combined funds as of December 31, 2006 and 2005, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Guernsey County Port Authority, Guernsey County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements and cash flows for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Port Authority to include Management's Discussion and Analysis for the year ended December 31, 2006 and 2005. 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 a report dated June 22, 2007, on our consideration of the Guernsey County Port Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 22, 2007

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
Cash Receipts:		
Grant Income	\$ 75,000	\$ 459,000
Contributions	-	5,000
Loan Proceeds	6,000,000	500,000
Lease Income	95,401	-
Property Sold	77,825	50,000
Transaction Fees	160,227	111,130
Application Fees	1,816	850
Loan Repayments	25,698	6,624
Received on Behalf on Other Entities	1,056	78,607
Interest Income	9,359	2,137
Miscellaneous	263	-
Total Cash Receipts	6,446,645	1,213,348
Cash Disbursements:		
Advertising	-	27
Bank Service Charges	22	-
Distribution on Behalf of Other Entities	37,508	15,600
Dues and Memberships	-	100
Loans Disbursed	75,000	59,000
Meetings and Conferences	30	50
Office and Postage Expense	936	439
Professional Fees	40,185	8,250
Project Expenses	25,743	94,266
Property Purchased	6,000,000	910,035
Real Estate Tax	1,012	-
Stipends	13,795	13,501
Debt Principal	77,825	-
Debt Interest	102,590	23,630
Total Cash Disbursements	6,374,646	1,124,898
Total Cash Receipts Over/(Under) Cash Disbursements	71,999	88,450
Cash Balance, January 1	94,071	5,621
Cash Balance, December 31	\$ 166,070	\$ 94,071

See notes to financial statements.

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Guernsey County Port Authority, Guernsey County (the Port 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 Port Authority is directed by a five member Board of Directors appointed by the Guernsey County Commissioners.

The Port Authority is a component unit of Guernsey County since the members of the Port Authority's Board of Directors is appointed by the Guernsey County Commissioners and the Port Authority is economically dependent on the County for financial support. The Guernsey County Commissioners contributed \$5,000 in 2005. No money was contributed in 2006.

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

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

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. Cash and Investments

The Port Authority maintains an interest bearing checking account and 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.

E. Budgetary Process

The Ohio Revised Code Section 5482.39 requires that the Port 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 the 2006 and 2005 budgetary activity appears in Note 3.

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 166,070	\$ 94,071
Total Deposits	\$ 166,070	\$ 94,071

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2006 and 2005 is as follows:

2006 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
Port Authority	\$ 6,446,645	\$ 6,446,645	\$ -
Total	\$ 6,446,645	\$ 6,446,645	\$ -

2006 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
Port Authority	\$ 6,374,646	\$ 6,374,646	\$ -
Total	\$ 6,374,646	\$ 6,374,646	\$ -

2005 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
Port Authority	\$ 1,213,348	\$ 1,213,348	\$ -
Total	\$ 1,213,348	\$ 1,213,348	\$ -

2005 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
Port Authority	\$ 1,124,898	\$ 1,124,898	\$ -
Total	\$ 1,124,898	\$ 1,124,898	\$ -

4. RISK MANAGEMENT

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

- * Public Official Liability and
- * Commercial Crime

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	2006 Principal	%
State of Ohio Loan	\$ 6,000,000	2.0
Community Investment Association Loan	422,175	5.0
Total	\$ 6,422,175	

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.

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

Year ending December 31	State of Ohio	CIA Loan
2007	\$ 120,000	\$ 21,109
2008	120,000	21,109
2009	120,000	21,109
2010	120,000	21,109
2011	342,055	21,109
2012-2016	2,758,821	511,888
2017-2021	3,575,661	-
	\$ 7,156,537	\$ 617,433

6. CONSORTIUM

The Port 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 Port Authority's share of the consortium's activity is shown as Received/Distribution on Behalf of Other Entities.

7. LEASE INCOME

The Port Authority owns the building that Detroit Diesel Remanufacturing East, Inc. uses for their operations. There is ten-year lease between both parties with rent being \$13,304/month through May 2011, then monthly payments of \$44,730 until the end of the lease. The amount of lease income for 2006 and 2005 was \$95,401 and \$0, respectively.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

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

We have audited the financial statements of The Guernsey County Port Authority, a component unit of Guernsey County, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 22, 2007, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financing Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Port Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Port Authority's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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 obtaining reasonable assurance about whether the Guernsey County Port Authority's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Port Authority, and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 22, 2007



Mary Taylor, CPA
Auditor of State

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
JULY 26, 2007**