

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY
Regular Audit
For the Years Ended December 31, 2012 and 2011**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Guernsey County Port Authority, Guernsey County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. 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 Auditor's 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 Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Guernsey County Port Authority is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 12, 2013

This page intentionally left blank.

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances – Proprietary Funds - For the Years Ended December 31, 2012 and 2011	3
Notes to the Financial Statements.....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	9

This page intentionally left blank.

Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT

February 20, 2013

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of **Guernsey County Port Authority**, Guernsey County, Ohio, (the Authority) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Government's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Government's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Government prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2012 and 2011, or its changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Guernsey County Port Authority, Guernsey County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	Enterprise Fund	
	2012	2011
Operating Cash Receipts:		
Grant Income	\$ 50,000	\$ 590,807
Lease Income	723,057	379,631
Property Sold	2,956	25,307
Transactions Fees	21,869	40,441
Application Fees	450	1,250
Loan Repayments	38,312	35,252
Consortium Revenue	9,600	-
Real Estate Tax Refund	-	8,915
Miscellaneous	-	20
	846,244	1,081,623
Operating Cash Disbursements:		
Current:		
Advertising	27	-
Bank Service Charges	-	20
Consortium Expense	2,025	-
Dues and Membership	100	100
Insurance	-	845
Loans Disbursed	50,000	91,000
Meetings and Conferences	290	-
Office and Postage Expense	406	600
Professional Fees	-	2,258
Project Expenses	360,257	2,659,620
Property Purchased	-	25,000
Real Estate Tax	6,269	14,682
Stipends	13,854	13,854
Miscellaneous	-	500
Debt Service:		
Redemption of Principal	508,114	191,128
Interest and Fiscal Charges	214,039	155,215
	1,155,381	3,154,822
Total Operating Cash Disbursements	1,155,381	3,154,822
Operating (Loss)	(309,137)	(2,073,199)
Non-Operating Cash Receipts		
Loan Proceeds (OWDA Loan)	33,271	2,203,797
Interest Income	3,869	3,983
	37,140	2,207,780
Total Non-Operating Cash Receipts	37,140	2,207,780
Net Receipts Over/(Under) Disbursements	(271,997)	134,581
Fund Cash Balance, January 1	351,507	216,926
Fund Cash Balance, December 31	\$ 79,510	\$ 351,507

See accompanying notes to the financial statements

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Guernsey County Port Authority, Guernsey County, (the Authority) is a body corporate and politic established to promote, develop and advance the general welfare, commerce and economic development of Guernsey County and its citizens and to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Section 4582.21 to 4582.59 of the Ohio Revised Code. The Authority is directed by a five-member Board of Directors appointed by the Guernsey County Commissioners.

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

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

B. Basis of Accounting

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

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

C. 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.

D. Deposits

All deposits are maintained in an interest bearing checking account.

E. Property, Plant and Equipment

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

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process

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

1. Appropriations

The Board annually approves appropriations and subsequent amendments. Budgetary expenses (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.

2. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

G. Loan Repayments and Loans Disbursed

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

2. EQUITY IN POOLED DEPOSITS

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

	2012	2011
Demand deposits	\$ 79,510	\$ 351,507
Total deposits	\$ 79,510	\$ 351,507

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

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
	Budgeted Receipts	Actual Receipts	Variance
Port Authority	\$ 883,384	\$ 883,384	\$ -
Total	\$ 883,384	\$ 883,384	\$ -

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation Authority	Budgetary Expenditures	Variance
Port Authority	\$ 1,155,381	\$ 1,155,381	\$ -
Total	\$ 1,155,381	\$ 1,155,381	\$ -

2011 Budgeted vs. Actual Receipts			
	Budgeted Receipts	Actual Receipts	Variance
Port Authority	\$ 3,263,606	\$ 3,289,403	\$ 25,797
Total	\$ 3,263,606	\$ 3,289,403	\$ 25,797

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation Authority	Budgetary Expenditures	Variance
Port Authority	\$ 3,129,155	\$ 3,154,822	\$ (25,667)
Total	\$ 3,129,155	\$ 3,154,822	\$ (25,667)

4. RISK MANAGEMENT

The Authority has obtained commercial insurance for the following risks;

- Public Official Liability and
- Commercial Crime

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

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011
(Continued)**

5. DEBT

Debt outstanding at December 31, 2012 was as follows:

	2012	
State of Ohio Loan	\$ 5,420,839	2.00%
Community Industrial Association Loan	422,175	5.00%
Ohio Water Development Authority Loan	2,116,987	3.00%
Total	\$ 7,960,001	

The State of Ohio and Community Industrial Association loans above relate to the expansion of the Detroit Diesel Remanufacturing East, Inc. project. Principal payments began in 2011 for the State of Ohio loan. The principal of the CIA loan is due in 2016.

The Authority received financing for a digester in 2011 through the Ohio Water Development Authority. The digester is leased by Island Aseptics. The original amount of the loan was \$2,237,068 at a rate of 3% maturing on 1/1/2027. The loan is to be repaid in semi-annual installments of \$93,150, including interest.

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

Year ending December 31	State of Ohio	CIA Loan	OWDA Loan
2013	\$ 513,766	\$ 21,109	\$ 186,299
2014	512,768	21,109	186,299
2015	511,749	21,109	186,299
2016	4,298,063	427,452	186,299
2017	-	-	186,299
2018-2022	-	-	931,495
2023-2027	-	-	650,673
Total	\$ 5,836,346	\$ 490,779	\$ 2,513,663

6. CONSORTIUM

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

GUERNSEY COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011
(Continued)**

7. LEASE INCOME

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

The Authority owns the wastewater treatment facility used by Island Aseptics. There is a 15-year lease with semi-annual payments of \$93,150, which equals the debt service payments to the Ohio Water Development Authority. Lease payments began in July, 2012.

The amount of lease income for 2012 and 2011 was \$723,057 and \$379,631, respectively.

8. CONTINGENT LIABILITIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. CONTRACTUAL COMMITMENTS

In June, 2011 the Authority entered into a contract with Nicolozakes Trucking & Construction, Inc. for the site work on the D.O. Hall, Phase II project. The contract amount was \$696,010 with payments as of December 31, 2012 in the amount of \$623,116, leaving a remaining commitment of \$72,894.

10. D.O. HALL PHASE II PROJECT

In October, 2010 the Authority finalized a \$750,000 grant from the State of Ohio, Department of Development (ODOD), for site improvements at the D.O. Hall project. ODOD is providing 60% of the total project costs, estimated to be \$1,250,000. The Authority is required to match \$500,000 of the projects costs. Of the match amount, the Community Industrial Associated committed, and has paid, \$250,000. The Authority incurred \$250,000 in costs related to the development of the D.O. Hall property prior to the beginning date of the project. These 'look-back costs' have been approved by the ODOD to be added to the CIA commitment to complete the Authority's financial obligation to the project.

Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

February 20, 2013

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

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of **Guernsey County Port Authority**, Guernsey County, Ohio (the Authority) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opine on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated February 20, 2013.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

GUERNSEY COUNTY PORT AUTHORITY

GUERNSEY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2013**