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

Perry & Associates
Certified Public Accountants, A.C.

Dave Yost • Auditor of State

Board of Directors
Tuscarawas County Port Authority
339 Oxford Street
Dover, Ohio 44622

We have reviewed the *Independent Accountants' Report* of the Tuscarawas County Port Authority, Tuscarawas County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

August 3, 2011

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TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

June 24, 2011

Tuscarawas County Port Authority
339 Oxford Street
Dover, Ohio 44622

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of **Tuscarawas County Port Authority,** Tuscarawas County, Ohio (the Authority), a component unit of Tuscarawas County, as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2010 and 2009, and the respective changes in financial position and cash flows 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 June 24, 2011 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Respectfully Submitted,

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.

The discussion and analysis of the Tuscarawas County Port Authority's ("the Port Authority") financial performance provides an overall review of the Port Authority's financial activities for the years ended December 31, 2010 and 2009. 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.

Financial Highlights

Key financial highlights for 2010 and 2009 are as follows:

- Total operating revenues were $1,265,925 and $991,501 for 2010 and 2009 respectively, a 28 percent increase from 2009 to 2010.

- Total operating expenses were $1,150,861 for 2010 and $1,075,455 for 2009, a $75,406 increase in expenses from 2009 to 2010.

- In 2010 net assets increased $298,575. Net assets increased $475,676 in 2009.

- Outstanding debt decreased from $4,179,570 to $3,955,872 through principal payments.

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 fund net assets, statement of revenues, expenses and changes in fund 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 Fund Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2010 and 2009?" This statement includes all assets and liabilities, both financial and capital, and short-term 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 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.

Table 1 provides a summary of the Port Authority's net assets for 2010, 2009 and 2008.

Table 1
Net Assets

	2010	2009	2008
Assets:			
Current and other assets	$ 216,603	$ 205,426	$ 466,093
Non-current and capital assets	6,655,754	6,537,497	5,980,682
Total Assets	6,872,357	6,742,923	6,446,775
Liabilities:			
Current liablities	760,752	562,567	368,525
Long-term other liabilities	3,403,523	3,770,849	4,144,419
Total liabilities	4,164,275	4,333,416	4,512,944
Net Assets:			
Invested in capital assets, net of related debt	2,749,872	2,407,858	1,554,342
Unrestricted	(41,790)	1,649	379,489
Total Net Assets	$ 2,708,082	$ 2,409,507	$ 1,933,831

Total assets increased in 2010 by $129,434. The increase is due to the donation of land on West High Avenue. Total liabilities decreased by $169,141. The decrease is due to the payments of principal on long term debt. Total net assets increased in 2010 by $298,575. Total assets increased in 2009 by $296,148. The increase is due to the improvements at the A/K Steel property. In 2009 total liabilities decreased by $179,528. The decrease is due to the payments of principal on long term debt. Total net assets increased in 2009 by $475,676.

Table 2 shows the changes in net assets for the years ended December 31, 2010, 2009 and 2008. Total net assets increased by $298,575 in 2010. Total net assets increased by $475,676 in 2009. Total net assets decreased by $1,195,231 in 2008. The increase of net assets in 2010 is due to the donation of land. The increase of net assets in 2009 is due to an increase in contributions from the remodeling expenses paid by the renter of the building. The decrease in net assets in 2008 is due to the large loss on the sale of the South Gateway Park property.

Table 2
Revenues and Expenses

	2010	2009	2008
Operating Revenues:			
Rentals	$ 947,983	$ 679,088	$ 589,626
Permit Fees	317,942	312,413	333,663
Contributions	0	0	750
Other	0	0	0
Total Operating Revenues	1,265,925	991,501	924,039
Operating Expenses:			
Salaries and benefits	505,495	512,408	461,921
Contractual services	223,997	167,464	114,632
Material and supplies	16,106	20,704	15,131
Insurance	42,863	41,305	43,472
Travel	14,369	18,585	24,728
Utilities	121,730	94,000	55,177
Depreciation	172,421	163,017	203,986
Other	53,880	57,972	32,495
Total Operating Expenses	1,150,861	1,075,455	951,542
Operating Income (Loss)	115,064	(83,954)	(27,503)
Non-Operating Revenues (Expenses):			
Interest and fiscal charges	(105,493)	(156,203)	(293,293)
Loss on sale of capital assets	0	0	(902,658)
Interest	6	395	6,762
Other income	1,798	2,608	21,461
Net Non-Operating (Expenses)	(103,689)	(153,200)	(1,167,728)
Income (Loss) Before Capital Contributions	11,375	(237,154)	(1,195,231)
Capital Contributions	287,200	712,830	0
Change in Net Assets	$ 298,575	$ 475,676	$(1,195,231)

Capital Assets

At the end of year 2010, the Port Authority had $6,593,400 invested in land, buildings and improvements, vehicles, office equipment and construction in progress. Table 3 shows fiscal year 2010 balances compared with 2009 and 2008.

Table 3
Capital Assets at December 31, 2010, 2009 and 2008
(Net of Depreciation)

	2010	2009	2008
Land	$ 1,129,809	$ 842,609	$ 837,409
Buildings and Improvements	5,442,442	5,594,234	4,989,193
Vehicles	3,361	16,565	23,291
Office Equipment	11,899	9,397	6,919
Construction in Progress	5,889	5,889	48,618
Totals	$ 6,593,400	$ 6,468,694	$ 5,905,430

The $124,706 increase in 2010 in capital assets was attributable to the donation of the land on West High Avenue. The $563,264 increase in 2009 in capital assets was mainly attributable to the building improvements at the A/K Steel property. Note 3 provides additional information on capital asset activity.

Debt

The outstanding debt for the Port Authority as of December 31, 2010 was $3,955,872. This is a decrease of $223,698 from the December 31, 2009 balance of $4,179,570. Table 4 summarizes outstanding debt.

Table 4
Debt at December 31, 2010, 2009 and 2008

	2010	2009	2008
Notes Payable	$ 50,000	$ 49,941	$ 0
Loans Payable	3,905,872	4,129,629	4,426,329
	$ 3,955,872	$ 4,179,570	$ 4,426,329

Additional information concerning the Port Authority's debt can be found in Notes 6 and 8 to the basic financial statements.

Current Issues

Deflecto, a tenant of the Reeve's Mill Business Park, continues to grow and therefore require additional space for their manufacturing and warehousing operations. Deflecto and the Port Authority reached an agreement to lease an additional 25,000 square feet of space contiguous to their expanded 2009 leasehold. That agreement was completed in November 2010. The 2011 budget reflects an increase in revenue for that space of $56,250 annually. The Port Authority continues to aggressively market the available space to replace the revenue lost from Owens Corning's decision to exit this region in 2008.

The Reeves Mill Logistics Warehouse, a public warehouse, operated by the Port Authority provides flexibility in the utilization of the available space, while still satisfying our Customers (all local businesses) needs. The Port Authority Board again in December 2010 considered their alternatives and elected to continue to operate and develop the Reeves Mill Logistics Warehouse.

The Port Authority is in pursuit of an $880,000 Clean Ohio Revitalization Fund grant to revitalize and clean up the West High Property site. The grants are expected to be announced by the end of June 2011.

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

Comparative Statement of Fund Net Assets
Proprietary Fund
December 31, 2010 and 2009

	2010		2009	
	Primary Government	Component Unit	Primary Government	Component Unit
	Business-Type Activities	Business Park Incubator	Business-Type Activities	Business Park Incubator
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	$ 26,994	$ 3,801	$ 18,302	$ 1,733
Accounts Receivable	136,730	11,500	137,586	6,617
Intergovernmental Receivable	41,774	0	41,774	0
Prepaid Items	11,105	0	7,764	0
Total Current Assets	216,603	15,301	205,426	8,350
Non-Current Assets:				
Deferred Charges	62,344	0	68,793	0
Deposits	10	1,365	10	0
Non-Depreciable Capital Assets	1,135,698	0	848,498	0
Depreciable Capital Assets, Net	5,457,702	9,831	5,620,196	14,386
Total Non-Current Assets	6,655,754	11,196	6,537,497	14,386
Total Assets	6,872,357	26,497	6,742,923	22,736
Liabilities				
Current Liabilities:				
Accounts Payable	83,638	22,866	51,244	17,413
Accrued Wages	12,826	0	12,702	0
Intergovernmental Payable	73,217	0	31,346	0
Deferred Revenue	30,702	0	54,811	0
Accrued Interest Payable	8,020	0	3,743	0
Loans Payable	502,349	0	358,780	0
Notes Payable	50,000	0	49,941	0
Total Current Liabilities	760,752	22,866	562,567	17,413
Long-Term Liabilities:				
Loans Payable - net of current portion	3,403,523	0	3,770,849	0
Total Liabilities	4,164,275	22,866	4,333,416	17,413
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,749,872	9,831	2,407,858	14,386
Unrestricted	(41,790)	(6,200)	1,649	(9,063)
Total Net Assets	$ 2,708,082	$ 3,631	$ 2,409,507	$ 5,323

The accompanying notes are an integral part of the basic financial statements.

Tuscarawas County Port Authority
Tuscarawas County

Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Years Ended December 31, 2010 and 2009

	2010		2009	
	Primary Government	Component Unit	Primary Government	Component Unit
	Business-Type Activities	Business Park Incubator	Business-Type Activities	Business Park Incubator
Operating Revenues				
Rentals	$ 947,983	$ 0	$ 679,088	$ 0
Permit Fees	317,942	0	312,413	0
Contributions	0	46,800	0	36,800
Other	0	10,515	0	11,238
Total Operating Revenues	1,265,925	57,315	991,501	48,038
Operating Expenses				
Salaries and Benefits	505,495	0	512,408	0
Contractual Services	223,997	162	167,464	0
Materials and Supplies	16,106	0	20,704	0
Insurance and Bonding	42,863	0	41,305	0
Facility Rent	0	46,800	0	46,800
Travel	14,369	0	18,585	0
Utilities	121,730	6,795	94,000	15,233
Depreciation	172,421	4,555	163,017	4,555
Other	53,880	695	57,972	425
Total Operating Expenses	1,150,861	59,007	1,075,455	67,013
Operating Income (Loss)	115,064	(1,692)	(83,954)	(18,975)
Non-Operating Revenues (Expenses)				
Interest	6	0	395	7
Interest and Fiscal Charges	(105,493)	0	(156,203)	0
Other Income	1,798	0	2,608	0
Total Non-Operating Revenues (Expenses)	(103,689)	0	(153,200)	7
Income (Loss) Before Capital Contributions	11,375	(1,692)	(237,154)	(18,968)
Capital Contributions	287,200	0	712,830	0
Change in Net Assets	298,575	(1,692)	475,676	(18,968)
Net Assets Beginning of Year	2,409,507	5,323	1,933,831	24,291
Net Assets End of Year	$ 2,708,082	$ 3,631	$ 2,409,507	$ 5,323

The accompanying notes are an integral part of the basic financial statements.

Tuscarawas County Port Authority
Tuscarawas County

Comparative Statement of Cash Flows - Proprietary Fund
For the Years Ended December 31, 2010 and 2009

	2010		2009	
	Primary Government Business-Type Activities	Component Unit Business Park Incubator	Primary Government Business-Type Activities	Component Unit Business Park Incubator
Increase (Decrease) in Cash and Cash Equivalents:				
Cash flows from Operating Activities:				
Cash Received from Customers	$ 1,242,672	$ 21,217	$ 890,920	$ 10,677
Cash Payments to Suppliers for Goods and Services	(13,041)	(18,292)	(20,896)	(20,737)
Cash Payments for Employees Services and Benefits	(466,841)	0	(503,450)	0
Cash Payments for Contractual Services	(373,570)	(162)	(288,719)	0
Other Cash Payments	(53,940)	(695)	(56,049)	(425)
Net Cash Provided by (Used for) Operating Activities	335,280	2,068	21,806	(10,485)
Cash Flows from Noncapital Financing Activities:				
Payments on Note Receivable	0	0	28,847	0
Proceeds from Notes Payable	10,059	0	50,000	0
Other Income	1,798	0	2,608	0
Principal Paid on Notes Payable	(10,000)	0	(59)	0
Net Cash Provided by (Used for) Noncapital Financing Activities	1,857	0	81,396	0
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Sale of Capital Assets	0	0	0	0
Acquisition of Capital Assets	(9,927)	0	(13,453)	0
Principal Payments on Loans	(223,757)	0	(296,700)	0
Interest Paid on All Debt	(94,767)	0	(146,011)	0
Net Cash Provided by(Used for) Capital and Related Financing Activities	(328,451)	0	(456,164)	0
Cash Flows from Investing Activities:				
Receipts of Interest	6	0	395	7
Net Increase/(Decrease) in Cash and Cash Equivalents	8,692	2,068	(352,567)	(10,478)
Cash and Cash Equivalents Beginning of Year	18,302	1,733	370,869	12,211
Cash and Cash Equivalents End of Year	$ 26,994	$ 3,801	$ 18,302	$ 1,733
Reconciliation of Operating Income (Loss) To Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	$ 115,064	$ (1,692)	$ (83,954)	$ (18,975)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	172,421	4,555	163,017	4,555
(Increase) Decrease in Assets:				
Intergovernmental Receivable	0	0	(7,796)	0
Deposits	0	(1,365)	0	0
Accounts Receivable	856	(4,883)	(109,912)	(4,458)
Prepaids	(3,341)	0	(3,037)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	32,394	5,453	34,366	8,393
Accrued Wages	124	0	10,125	0
Deferred Revenue	(24,109)	0	17,127	0
Intergovernmental Payable	41,871	0	1,870	0
Net Cash Provided by (Used for) Operating Activities	$ 335,280	$ 2,068	$ 21,806	$ (10,485)

Noncash Capital Financing Activities:

During 2010, land was donated by ODOT to the Port Authority in the amount of $287,200.

In 2009, the tenant of the A/K Steel building paid for improvements to the building in the amount of $712,830.

The accompanying notes are an integral part of the basic financial statements.

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 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 was created December 31, 2000. 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; (2) the Port Authority is legally entitled to or can otherwise access the organization's resources; (3) the Port Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits, or provide financial support to, the organization; or (4) 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 identifies 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2005. 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 financially accountable.

B. Basis of Accounting

The Port Authority applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The Port Authority has elected not to follow FASB guidance for business-type activities and enterprise funds issued after November 30, 1989. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The most significant of the Port Authority's accounting policies are described below.

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.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

E. Pooled Cash and Cash Equivalents

To improve cash management, all cash received by the Port Authority is pooled. All money is maintained in this pool. The Port Authority's interest in the pool is presented as "equity in pooled cash and cash equivalents."

F. Deferred Charges

On the financial statements, loan issuance costs are recorded as an expenditure when incurred. Loan issuance costs are reported as deferred and amortized over the term of the loans using the straight-line method on the financial statements, since the results are not significantly different from the effective interest method.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010 and December 31, 2009 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

H. Accrued Liabilities and Long-Term Obligations

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. Bonds and long-term loans are recognized as a liability on the financial statements when due.

I. Budgetary Process

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

1. **<u>Appropriations</u>**

   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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

J. 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 and Construction in Progress	N/A
Buildings and Improvements	39 Years
Vehicles	5 Years
Office Equipment	7 Years

K. 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 borrowings 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 2010 and 2009.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Port Authority, these revenues are rental fees and permit fees. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority. All revenue and expenses not meeting these definitions are classified as nonoperating.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

N. Implementation of New Accounting Policies

For the year ended December 31, 2010, the Port Authority has implemented GASB Statement No. 51, *"Accounting and Financial Reporting for Intangible Assets,"* GASB Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments,"* and GASB Statement No. 58, *"Accounting and Financial Reporting for Chapter 9 Bankruptcies."*

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the Port Authority.

NOTE 2: CASH

State statues classify monies held by the Port Authority into three categories.

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash in the Port Authority Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

NOTE 2: CASH (Continued)

Interim deposits are deposits of interim monies. Interim monies are those which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. 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;

3. 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and any other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;

6. The State Treasurer’s investment pool (STAROhio).

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity.

NOTE 2: CASH (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, uninsured public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Port Authority's name. During 2010 and 2009, the Port Authority and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the Port Authority's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the uninsured deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Port Authority.

At December 31, 2010 and 2009, the carrying amount of the Port Authority's deposits were $26,994 and $18,302, which includes petty cash in the amount of $355 and $345, respectively. The bank balances were $50,099 and $13,942, respectively, which were covered by Federal Depository Insurance.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2009 was as follows:

	Balance 1/1/2009	Additions	Deletions	Balance 12/31/2009
Capital Assets, not being depreciated:				
Land	$ 837,409	$ 5,200	$ 0	$ 842,609
Construction in progress	48,618	0	(42,729)	5,889
Total capital assets not being depreciated	886,027	5,200	(42,729)	848,498
Capital assets, being depreciated:				
Buildings and improvements	5,545,169	756,930	0	6,302,099
Vehicles	47,638	0	0	47,638
Office equipment	23,703	6,880	0	30,583
Total capital assets, being depreciated	5,616,510	763,810	0	6,380,320
Less: Accumulated depreciation:				
Buildings and improvements	(555,976)	(151,889)	0	(707,865)
Vehicles	(24,347)	(6,726)	0	(31,073)
Office equipment	(16,784)	(4,402)	0	(21,186)
Total accumulated depreciation	(597,107)	(163,017)	0	(760,124)
Total capital assets, being depreciated, net	5,019,403	600,793	0	5,620,196
Capital Assets, Net	$ 5,905,430	$ 605,993	$ (42,729)	$ 6,468,694

NOTE 3: CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended December 31, 2010 was as follows:

	Balance 1/1/2010	Additions	Deletions	Transfers	Balance 12/31/2010
Capital Assets, not being depreciated:					
Land	$ 842,609	$ 287,200	$ 0	$ 0	$ 1,129,809
Construction in progress	5,889	0	0	0	5,889
Total capital assets not being depreciated	848,498	287,200	0	0	1,135,698
Capital assets, being depreciated:					
Buildings and improvements	6,302,099	9,927	0	0	6,312,026
Vehicles	47,638	0	0	0	47,638
Office equipment	30,583	0	0	0	30,583
Total capital assets, being depreciated	6,380,320	9,927	0	0	6,390,247
Less: Accumulated depreciation:					
Buildings and improvements	(707,865)	(161,719)	0	0	(869,584)
Vehicles	(31,073)	(6,726)	0	(6,478)	(44,277)
Office equipment	(21,186)	(3,976)	0	6,478	(18,684)
Total accumulated depreciation	(760,124)	(172,421)	0	0	(932,545)
Total capital assets, being depreciated, net	5,620,196	(162,494)	0	0	5,457,702
Capital Assets, Net	$ 6,468,694	$ 124,706	$ 0	$ 0	$ 6,593,400

NOTE 4: DEFINED BENEFIT PENSION PLANS

Pension Benefit Obligation

Plan Description - The Port Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

NOTE 4: DEFINED BENEFIT PENSION PLANS (Continued)

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 OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, members in State and local classifications contributed 10 percent of covered payroll. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Port Authority of 14 percent.

The Port Authority contribution rate for 2010 was 14 percent. For 2010, a portion of the Port Authority's contribution of covered payroll was allocated to fund the post-employment health care plan. The portion of employer contributions allocated to health care for member in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for member in the Combined Plan was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010.

The Port Authority's required contributions for pension obligations for the traditional and combined plans for the years ended December 31, 2010, 2009 and 2008 were $28,125, $26,025 and $18,993, respectively. 83.9 percent has been contributed for 2010 and 100 percent 2009 and 2008. Contributions to the member-directed plan for 2010 were $4,292 for members and $6,009 for the employer.

Post-Employment Benefits

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

NOTE 4: DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.0 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of employer contributions allocated to health care for member in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for member in the Combined Plan was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The Port Authority's required contributions to OPERS for post-employment health care benefits for the years ended December 31, 2010, 2009 and 2008 were $22,098, $21,249 and $18,993, respectively. 83.9 percent has been contributed for 2010 and 100 percent 2009 and 2008. The Port Authority's contributions for post-employment health care benefits for the member-directed plan for 2010 were $4,292.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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 three 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.

NOTE 6: NOTE PAYABLE

In April 2006, the Port Authority took out a revolving loan authorized to $50,000 with J.P. Morgan Chase Bank. In 2008, the Port Authority revolving loan limit was increased to $150,000. The proceeds were used for operating capital. The interest rate is prime plus one percent and is re-set monthly. As of December 31, 2010 and 2009, $50,000 and $49,941, respectively, was outstanding.

Changes in note obligations of the Port Authority during the year ended December 31, 2009 consisted of the following:

	Outstanding 1/1/2009	Additions	Reductions	Outstanding 12/31/2009	Amounts Due In One Year
J.P. Morgan Chase - 4.25%	$ 0	$ 50,000	$ (59)	$ 49,941	49,941

Changes in note obligations of the Port Authority during the year ended December 31, 2010 consisted of the following:

	Outstanding 1/1/2010	Additions	Reductions	Outstanding 12/31/2010	Amounts Due In One Year
J.P. Morgan Chase - 4.25%	$ 49,941	$ 10,059	$ (10,000)	$ 50,000	$ 50,000

NOTE 7: RECEIVABLES

Receivables at December 31, 2010 and 2009 consisted of accounts (billings for user charged rents) and intergovernmental receivables arising from real estate taxes. All receivables are deemed collectible in full.

NOTE 8: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the Port Authority during the year ended December 31, 2009 consisted of the following:

	Outstanding 1/1/2009	Additions	Reductions	Outstanding 12/31/2009	Amounts Due In One Year
General long-term obligations:					
Loans Payable - TCC-0.0%	$ 778,099	$ 0	$ (30,000)	$ 748,099	$ 30,000
Loans Payable - JP Morgan Chase - 2.57%	3,648,230	0	(266,700)	3,381,530	328,780
	$ 4,426,329	$ 0	$ (296,700)	$ 4,129,629	$ 358,780

NOTE 8: LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations of the Port Authority during the year ended December 31, 2010 consisted of the following:

	Outstanding 1/1/2010	Additions	Reductions	Outstanding 12/31/2010	Amounts Due In One Year
General long-term obligations:					
Loans Payable - TCC-0.0%	$ 748,099	$ 0	$ (30,000)	$ 718,099	$ 30,000
Loans Payable - JP Morgan Chase - 3.15%	3,381,530	0	(193,757)	3,187,773	472,349
	$ 4,129,629	$ 0	$ (223,757)	$ 3,905,872	$ 502,349

In September 2005, the Port Authority borrowed $4,200,000 from J. P. Morgan Chase Bank. The proceeds were used to pay $1,200,000 of the debt to the Tuscarawas County Commissioners and $2,809,729 of loans from the various banks. The loan will bear interest at LIBOR plus 1.3 percent. The interest rate will be reset annually.

In May 2006, the Port Authority entered into a loan consolidation agreement with the Tuscarawas County Commissioners. This agreement rolled three notes payable outstanding into one long-term note. The loan bears no interest. The loan is to be paid back in $2,500 monthly payments with the last payment due in December 2034. However, the loan agreement requires the Port Authority to pay all proceeds from the balance of the Midvale property or land to the Tuscarawas County Commissioners if sold before the loan is paid off.

The annual requirements to retire debt are as follows:

	Loans Payable	
Year	Principal	Interest
2011	$ 502,349	$ 108,053
2012	376,097	65,713
2013	385,095	56,715
2014	394,327	47,483
2015	403,799	38,011
2016-2020	1,426,106	55,040
2021-2025	150,000	0
2026-2030	150,000	0
2031-2034	118,099	0
Totals	$ 3,905,872	$ 371,015

NOTE 9: OPERATING LEASES – LESSOR DISCLOSURE

The Port Authority leases building space under leases that are considered non-cancelable by either party. A summary of the cost and carrying value of each asset and the amount of lease payments that came due during the period (including outstanding amounts) is summarized below. As of December 31, 2010 and 2009, the Port Authority had no outstanding lease payments; therefore, no accounts receivable are reported within the basic financial statements.

Leased Asset	Asset Cost	Accumulated Depreciation	Carrying Value
TCPA Business Park	$ 2,025,097	$ 227,007	$ 1,798,090

The following is a schedule of future long-term lease payments required under the operating leases as of December 31, 2010:

		Operating Lease
Year Ending December 31,	2011	$ 294,158
	2012	294,158
	2013	294,158
	2014	294,158
	2015	294,158
	2016-2020	1,470,790
	2021-2025	1,470,790
	2026-2030	1,470,790
	2031-2034	1,372,736
Total Lease Payments		$7,255,896

NOTE 10: 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 11: SUBSEQUENT EVENT

In January 13, 2011 the Port Authority refinanced their loan with JP Morgan Chase Bank. The loan was refinanced in the amount of $3,312,773 at a variable interest of 3.15 percent. The interest rate will be recalculated annually.

NOTE 12: 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, 2006. 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, 2006 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 Port Authority, the Business Park is reflected as a component unit of Tuscarawas County Port Authority. The Business Park has a December 31 year end.

The Business Park applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its governmental and business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The Business Park has elected not to follow FASB guidance for business-type activities and enterprise funds issued after November 30, 1989. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The most significant of the Business Park's accounting policies are described on the subsequent page.

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 intent is that 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.

1. <u>Measurement Focus and Basis of Accounting</u>

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 accrual basis of accounting in which revenue is recognized when earned and expenses when incurred.

2. <u>Cash</u>

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.

NOTE 12: BUSINESS PARK INCUBATOR – COMPONENT UNIT (Continued)

3. Capital Assets

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 capital assets.

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

Estimated Lives	Description
10 Years	Improvements other than buildings
5-10 Years	Furniture and equipment

4. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activity. For the Business Park, these revenues are contributions and other revenues. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Business Park. All revenue and expenses not meeting these definitions are classified as non-operating.

5. 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).

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.

NOTE 12: BUSINESS PARK INCUBATOR – COMPONENT UNIT (Continued)

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 three years. There has not been a significant reduction in coverage from the prior year.

E. Capital Assets

A summary of the Business Park's capital assets at December 31, 2009 follows:

	Balance 1/1/2009	Additions	Deletions	Balance 12/31/2009
Depreciated Captial Assets:				
Improvements other than buildings	$ 28,768	$ 0	$ 0	$ 28,768
Furniture and equipment	10,256	0	0	10,256
Total cost	39,024	0	0	39,024
Less: Accumulated depreciation:				
Improvements other than buildings	(13,721)	(2,878)	0	(16,599)
Furniture and equipment	(6,362)	(1,677)	0	(8,039)
Total accumulated depreciation	(20,083)	(4,555)	0	(24,638)
Total capital assets being depreciated, net	$ 18,941	$ (4,555)	$ 0	$ 14,386

NOTE 12: BUSINESS PARK INCUBATOR – COMPONENT UNIT (Continued)

A summary of the Business Park's capital assets at December 31, 2010 follows:

	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2010
Depreciated Captial Assets:				
Improvements other than buildings	$ 28,768	$ 0	$ 0	$ 28,768
Furniture and equipment	10,256	0	0	10,256
Total cost	39,024	0	0	39,024
Less: Accumulated depreciation:				
Improvements other than buildings	(16,599)	(2,878)	0	(19,477)
Furniture and equipment	(8,039)	(1,677)	0	(9,716)
Total accumulated depreciation	(24,638)	(4,555)	0	(29,193)
Total capital assets being depreciated, net	$ 14,386	$ (4,555)	$ 0	$ 9,831

F. 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 borrowings used for acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Business Park applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

June 24, 2011

Tuscarawas County Port Authority
339 Oxford Street
Dover, Ohio 44622

To the Board of Directors:

We have audited the financial statements of the business-type activities of the **Tuscarawas County Port Authority,** Tuscarawas County, Ohio (the Authority), a component unit of Tuscarawas County, as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Authority's basic financial statements and have issued our report dated June 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated June 24, 2011.

We intend this report solely for the information and use of management, Board of Directors and others within the Authority. It is not intended for anyone other than these specified parties.

Respectfully Submitted,

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.

TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2008-001	ORC Section 5705.41 (B) Expenditures in excess of appropriations	Partially Corrected	Moved to Management Letter

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Dave Yost • Auditor of State

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
AUGUST 16, 2011

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