

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003



**Auditor of State
Betty Montgomery**

Board of Directors
Guernsey County Port Authority
806 Cochran Ave.
Cambridge, OH 43725

We have reviewed the *Independent Accountants' Report* of the Guernsey County Port Authority, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 Accountants' 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 Accountants' 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 29, 2005

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**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

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

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of Guernsey County Port Authority, Guernsey County as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Port Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Port Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Port Authority has elected not to reformat its statements. Since this 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 two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Port Authority as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Guernsey County Port Authority
Independent Auditors' Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Guernsey County Port Authority, Guernsey County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements 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, 2004. The Port Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 2, 2005, on our consideration of Guernsey County Port Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 conjunction 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
November 2, 2005

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCE**

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Cash Receipts:		
Grant Income	\$ 25,000.00	\$ 7,975.00
Contributions	15,000.00	-
Property Sold	211,400.00	171,762.00
Real Estate Options Sold	-	5,000.00
Transaction Fees	1,000.00	-
Application Fees	500.00	-
Loan Repayments	2,557.58	-
Interest	859.64	33.70
Total Cash Receipts	256,317.22	184,770.70
 Cash Disbursements		
Advertising	22.50	-
Bank Service Charges	12.00	-
Deposits on Real Estate	1,000.00	-
Insurance	598.00	-
Loans Disbursed	25,000.00	-
Meetings and Conferences	-	25.00
Office and Postage Expense	244.10	463.91
Professional Fees	1,545.78	480.12
Project Expenses (Clean Ohio)	-	7,975.00
Property Purchased	208,400.00	171,762.00
Real Estate Options Purchased	1.00	5,000.00
Stipends	15,729.52	10,729.52
Total Cash Disbursements	252,552.90	196,435.55
Total Cash Receipts Over/(Under) Cash Disbursements	3,764.32	(11,664.85)
Cash Balance, January 1	1,856.38	13,521.23
Cash Balance, December 31	\$ 5,620.70	\$ 1,856.38

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

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

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. A five member Board of Directors appointed by the Guernsey County Commissioners directs the Port Authority.

The Port Authority's a component unit of Guernsey County since the members of the Port Authority's Board 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 \$15,000 to the Port Authority in 2004.

The Port Authority's management believes this financial support presents all activities for which the Port Authority is financially accountable. The Port Authority was formed in October 2000.

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

This financial statement follows the basis of accounting prescribe 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).

The statement includes adequate disclosure of material matters prescribed or permitted by the Auditor of State.

C. Budgetary Process

Budget

Ohio Rev. Code Section 5482.39, requires the Port Authority to prepare an annual budget. According to the by-laws, the budget for the next calendar year will be presented for approval at the January meeting.

A summary of the 2004 and 2003 budgetary activity appears on Note 3.

D. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

2. CASH

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>
Demand deposits	<u>\$5,620.70</u>	<u>\$1,856.38</u>
Total deposits	<u>\$5,620.70</u>	<u>\$1,856.38</u>

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

<u>2003 Budgeted vs. Actual Receipts</u>		
<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
\$ 251,867.00	\$ 184,770.70	\$ 67,096.30

<u>2003 Budgeted vs. Actual Budgetary Basis Expenses</u>		
<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
\$ 88,750.23	\$ 196,435.55	\$ (107,685.32)

<u>2004 Budgeted vs. Actual Receipts</u>		
<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
\$ 66,800.00	\$ 256,317.22	\$ (189,517.22)

<u>2004 Budgeted vs. Actual Budgetary Basis Expenses</u>		
<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
\$ 28,635.90	\$ 252,552.90	\$ (223,917.00)

4. RISK MANAGEMENT

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

- Public Officials liability, and
- Commercial crime

5. RURAL BUSINESS ENTERPRISE GRANT

The Port Authority received a grant of \$25,000 in 2004 from the U.S. Department of Agriculture. The proceeds of this grant are to be used in establishing a revolving loan fund for Guernsey County. One loan was made in 2004 and the balance due to the Port Authority as of December 31, 2004 was \$22,442.00.

6. CLEAN OHIO ASSISTANCE FUND GRANT

The Port Authority received a grant for \$7,975.00 from the Ohio Department of Development to perform an environmental assessment of a site for future development in 2003. Accordingly, the Port Authority expended the same amount for the assessment.

7. PROPERTY AND REAL ESTATE OPTIONS SOLD/PURCHASED

The Port Authority purchased several tracts of real estate from various governmental entities and sold them. The Port Authority also purchased an option to purchase real estate in 2003, which was subsequently sold. The Port Authority purchased an option to purchase a piece of real estate 2004, which expired in 2004.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

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

We have audited the financial statements of Guernsey County Port Authority as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 2, 2005, 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 Financial Reporting

In planning and performing our audit, we considered Guernsey County Port Authority internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated November 2, 2005.

Compliance

As part of obtaining reasonable assurance about whether 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*. Also, we noted immaterial instances of noncompliance that we have reported to management of Guernsey County Port Authority in a separate letter dated November 2, 2005.

This report is intended for the information of the Port Authority Board, 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
November 2, 2005



**Auditor of State
Betty Montgomery**

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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
DECEMBER 13, 2005**