

Southern Ohio Port Authority

Scioto County, Ohio

Regular Audit

January 1, 2003 through December 31, 2004

Fiscal Years Audited Under GAGAS: 2004 and 2003

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Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Southern Ohio Port Authority  
433 Third Street  
PO Box 1525  
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the Southern Ohio Port Authority, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, 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.

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 Southern Ohio Port Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 29, 2008

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**Southern Ohio Port Authority**  
*Table of Contents*  
*For the Years Ended December 31, 2004 and 2003*

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Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	2
Basic Financial Statements	
Statement of Net Assets as of December 31, 2004.....	6
Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended December 31, 2004.....	7
Statement of Cash Flows for the Year Ended December 31, 2004.....	8
Statement of Net Assets as of December 31, 2003.....	9
Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended December 31, 2003.....	10
Statement of Cash Flows for the Year Ended December 31, 2003.....	11
Notes to the Financial Statements .....	12
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> .....	18

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**Independent Auditor's Report**

We have audited the accompanying financial statements of the business-type activities of the Southern Ohio Port Authority, Scioto County, Ohio, (the Authority), as of and for the years ended December 31, 2004 and 2003, 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 *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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of December 31, 2004 and 2003, and the changes in financial position and cash flows thereof for the years 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 November 30, 2007, on our consideration of the Authority's internal control over financial reporting and on 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 accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.  
November 30, 2007

**Southern Ohio Port Authority**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2004 and 2003*

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The discussion and analysis of the Southern Ohio Port Authority's financial performance provides an overview of the Authority's financial performance as a whole for the years ended December 31, 2004 and 2003. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current years and prior year is required to be presented, and is presented in the MD&A.

### **Financial Highlights**

Key financial highlights for 2004 and 2003 follow:

- Total assets decreased \$1,785,798, or 32.05%, between 2003 and 2004 and increased 387,292, or 7.47%, between 2002 and 2003. Total liabilities decreased \$1,546,855, or 42.3%, between 2003 and 2004 and increased \$477,176, or 15.02%, between 2002 and 2003. Total net assets decreased \$238,943, or 12.46%, between 2003 and 2004 and \$89,884, or 4.4%, between 2002 and 2003.
- Total revenues increased \$735,864, or 756%, between 2003 and 2004 and decreased \$211,400, or 69%, between 2002 and 2003. Total expenditures increased \$785,507, or 417%, between 2003 and 2004 and decreased \$82,569, or 30.48%, between 2002 and 2003.

### **Using this Annual Financial Report**

This financial report contains the basic financial statements of the Authority, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

#### *Statement of Net Assets*

The statement of net assets answers the question, "How did we do financially during the year?" This statement include all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by private sector companies. This basis of accounting takes into account all revenues and expenses during the year regardless of when the cash is received or paid.

This statement reports the Authority's net assets, however, in evaluating the overall position and financial viability of the Authority, non-financial information, such as the condition of Authority's capital assets, will also need to be evaluated.



**Southern Ohio Port Authority**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2004 and 2003

Table 1 provides a summary of the Authority's net assets for 2004 and 2003 compared to 2002.

Table 1  
Net Assets

	2004	2003	2004/2003 Change	2002	2003/2002 Change
<b>Assets</b>					
Current and Other Assets	\$375,389	\$625,787	(\$250,398)	\$238,495	\$387,292
Capital Assets	<u>3,409,977</u>	<u>4,945,377</u>	<u>(1,535,400)</u>	<u>4,945,377</u>	<u>0</u>
<b>Total Assets</b>	<u>3,785,366</u>	<u>5,571,164</u>	<u>(1,785,798)</u>	<u>5,183,872</u>	<u>387,292</u>
<b>Liabilities</b>					
Other Liabilities	503,273	514,728	(11,455)	37,552	(477,176)
Long-Term Liabilities	<u>1,603,379</u>	<u>3,138,779</u>	<u>(1,535,400)</u>	<u>3,138,779</u>	<u>0</u>
<b>Total Liabilities</b>	<u>2,106,652</u>	<u>3,653,507</u>	<u>(1,546,855)</u>	<u>3,176,331</u>	<u>(477,176)</u>
<b>Net Assets</b>					
Invested in Capital Assets Net of Debt	1,590,082	1,806,598	(216,516)	1,806,598	0
Unrestricted	<u>88,632</u>	<u>111,059</u>	<u>(22,427)</u>	<u>200,943</u>	<u>(89,884)</u>
<b>Total Net Assets</b>	<u>\$1,678,714</u>	<u>\$1,917,657</u>	<u>(\$238,943)</u>	<u>2,007,541</u>	<u>(\$89,884)</u>

The decrease in total assets between 2003 and 2004 was due primarily to the sale of assets. Also the decrease in the liabilities between 2003 and 2004 was directly related to the sale of assets. As the Port Authority holds notes that are secured by real estate and payment is due on the notes at the time the real estate has been sold.

**Southern Ohio Port Authority**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2004 and 2003

Table 2 provides a summary of changes in the Authority's net assets for 2004 and 2003 as well as revenue and expense comparison to 2002.

Table 2  
Changes in Net Assets

	2004	2003	2004/2003 Change	2002	2003/2002 Change
<i>Revenues</i>					
<i>Operating Revenue</i>					
Intergovernmental	\$817,367	\$88,500	\$728,867	\$300,000	(\$211,500)
Rent	14,297	8,100	6,197	0	(8,100)
Miscellaneous	1,600	800	800	8,800	8,000
<i>Total operating revenue</i>	<u>833,264</u>	<u>97,400</u>	<u>735,864</u>	<u>308,800</u>	<u>(211,400)</u>
<i>Non-operating revenue</i>					
Interest income	2,850	1,009	1,841	716	293
Sale of Assets	1,535,400	0	1,535,400	0	0
<i>Total non-operating revenue</i>	<u>1,538,250</u>	<u>1,009</u>	<u>1,537,241</u>	<u>716</u>	<u>293</u>
<i>Total revenue</i>	<u>2,371,514</u>	<u>98,409</u>	<u>2,273,105</u>	<u>309,516</u>	<u>(211,107)</u>
<i>Expenses</i>					
<i>Operating expenses</i>					
Administrative	8,297	10,236	(1,939)	4,750	5,486
Material & Supplies	4,452	4,469	(17)	249	4,220
Contractual Services	942,367	73,600	868,767	257,731	(184,131)
Professional Fees	18,619	99,988	(81,369)	0	99,988
Other	65	0	(65)	8,132	(8,132)
<i>Total operating expenses</i>	<u>973,800</u>	<u>188,293</u>	<u>785,507</u>	<u>270,862</u>	<u>(82,569)</u>
<i>Non-operating expenses</i>					
Interest expense	101,257	0	101,257	0	0
Principle payment	1,535,400	0	1,535,400	0	0
<i>Total non-operating expenses</i>	<u>1,636,657</u>	<u>0</u>	<u>1,636,657</u>	<u>0</u>	<u>0</u>
<i>Total expenses</i>	<u>2,610,457</u>	<u>188,293</u>	<u>2,422,164</u>	<u>270,862</u>	<u>(82,569)</u>
<i>Change in net assets</i>	(238,943)	(89,884)	(149,059)	38,654	(128,538)
<i>Beginning net assets</i>	<u>1,917,657</u>	<u>2,007,541</u>	<u>(89,884)</u>	<u>1,968,887</u>	<u>38,654</u>
<i>Ending net assets</i>	<u>1,678,714</u>	<u>\$1,917,657</u>	<u>(\$238,943)</u>	<u>\$2,007,541</u>	<u>(\$89,884)</u>

The increase in total revenues between 2003 and 2004 was due largely to an increase in capital grants. The increase in total expenses between 2003 and 2004 was due largely to the increase in federal grants that were intended for a specific purpose.

The decrease in total revenues between 2002 and 2003 was due largely to a decrease in federal grants that was awarded to the Authority. The decrease in total expenses between 2002 and 2003 was due largely to the reduction in the amount of federal and state grants that was awarded to the Authority during the year.

**Capital Assets**

At December 31, 2004 and 2003, the capital assets of the Authority consisted of land held for resale. Balances were \$3,409,977 and \$4,945,377 at December 31, 2004 and 2003, respectively. See Note 3 of the notes to the basic financial statements for more detailed information on the Authority's capital assets.

**Southern Ohio Port Authority**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2004 and 2003*

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**Debt Administration**

The Authority finances construction in progress primarily through the issuance of bonds. At December 31, 2004 and 2003, debt outstanding was \$1,603,379 and \$3,138,779, respectively. See Note 4 of the notes to the basic financial statements for more detailed information on the Authority's debt obligations.

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives, spends and invests. Questions concerning any of the information provided in this report or requests for additional information should be directed to Robert Walton, Commissioner, 433 Third St P.O. Box 1525 Portsmouth, Ohio 45662.

**Southern Ohio Port Authority**  
*Statement of Net Assets*  
*December 31, 2004*

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**Assets:**

*Current Assets:*

Cash and cash equivalents	\$ 55,511
Accounts receivable	175,000
Loans receivable	<u>144,878</u>
 Total Current Assets	 <u>375,389</u>

*Noncurrent Assets:*

Property held for resale	<u>3,409,977</u>
 Total Assets	 <u><u>3,785,366</u></u>

**Liabilities:**

Current liabilities:

Interest Payable	111,757
Accounts Payable	216,516
Unearned Revenue	<u>175,000</u>
 Total current liabilities:	 503,273

Long term liabilities:

Due in more than one year	<u>1,603,379</u>
 Total liabilities:	 <u>2,106,652</u>

**Net assets:**

Invested in capital assets net of related debt	1,590,082
Unrestricted net assets	<u>88,632</u>
 Total net assets:	 <u><u>\$ 1,678,714</u></u>

See accompanying notes to the financial statements.

**Southern Ohio Port Authority**  
*Statement of Revenues, Expenses and Changes in Net Assets*  
For the Year Ended December 31, 2004

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Operating revenues:

Intergovernmental	\$	817,367
Rent		14,297
Miscellaneous		1,600
		1,600
<b>Total operating revenues:</b>		<b>833,264</b>

Operating expenses:

Administrative		8,297
Materials & Supplies		4,452
Contractual Services		942,367
Professional Fees		18,619
Other		65
		65
<b>Total operating expenses:</b>		<b>973,800</b>
<b>Operating income:</b>		<b>(140,536)</b>

Non-operating revenues/(expenses):

Interest income		2,850
Interest expense		(101,257)
Sale of Assets		1,535,400
Principal		(1,535,400)
		(1,535,400)
<b>Total non-operating revenues/(expenses):</b>		<b>(98,407)</b>
<b>Change in Fund Net Assets</b>		<b>(238,943)</b>

Net assets at beginning of year		1,917,657
		1,917,657
Net assets at end of year	\$	1,678,714

See accompanying notes to the financial statements.

**Southern Ohio Port Authority**  
*Statement of Cash Flows*  
For the Year Ended December 31, 2004

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**Increase/(decrease) in cash and cash equivalents**

Cash flows from operating activities:

Cash received from Grants	\$ 817,367
Cash received from rental income	14,297
Cash received from program income	1,600
Cash payments for contractors	(817,367)
Cash payments for professional fees	(1,731)
Cash payments for administrative cost	(8,297)
Cash payments for suppliers	(4,452)
Cash payments for other	(65)
	(65)

Net cash provided by operating activities: 1,352

Cash flows from capital and related financing activities:

Cash received from sale of land	1,535,400
Cash payments for long-term debt	(1,535,400)
	-

Net cash provided by capital and related financing activities: -

Cash flows from investing activities:

Interest	2,850
	2,850

Net cash provided by investing activities: 2,850

Net increase in cash and cash equivalents: 4,202

Cash and cash equivalents at beginning of year 51,309

Cash and cash equivalents at end of year \$55,511

Reconciliation of operating income to net cash provided by operating activities:

**Operating income** (\$140,536)

Adjustments to reconcile operating income to net cash provided by operating activities:

Changes in assets and liabilities:

(Increase)/decrease in income accounts receivable	254,600
Increase/(decrease) in deferred revenue	(254,600)
Increase/(decrease) in accounts payable	141,888
	141,888

Net cash provided by operating activities: \$1,352

See accompanying notes to the financial statements.

**Southern Ohio Port Authority**  
*Statement of Net Assets*  
*December 31, 2003*

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**Assets:**

*Current Assets*

Cash and cash equivalents	\$ 51,309
Accounts receivable	429,600
Lease receivable	144,878
Total Current Assets	<u>625,787</u>

Property held for resale	<u>4,945,377</u>
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Total Assets	<u><u>5,571,164</u></u>
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**Liabilities:**

*Current liabilities:*

Interest payable	10,500
Accounts payable	74,628
Unearned Revenue	<u>429,600</u>

Total current liabilities:	514,728
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Long term liabilities:

Due in more than one year	<u>3,138,779</u>
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Total liabilities:	<u>3,653,507</u>
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**Net Assets:**

Invested in capital assets net of related debt	1,806,598
Unrestricted net assets	<u>111,059</u>

Total net assets:	<u>\$ 1,917,657</u>
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See accompanying notes to the financial statements.

**Southern Ohio Port Authority**  
*Statement of Revenues, Expenses and Changes in Net Assets*  
*For the Year Ended December 31, 2003*

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Operating revenues:

Intergovernmental	\$ 88,500
Rent	8,100
Miscellaneous	<u>800</u>
<b>Total operating revenues:</b>	<b>97,400</b>

Operating expenses:

Administrative	10,236
Materials & Supplies	4,469
Contractual Services	73,600
Professional fees	<u>99,988</u>
<b>Total operating expenses:</b>	<b><u>188,293</u></b>
<b>Operating income:</b>	<b>(90,893)</b>

Non-operating revenues/(expenses):

Interest revenue	<u>1,009</u>
<b>Total non-operating revenues/(expenses):</b>	<b><u>1,009</u></b>
<b>Change in Fund Net Asstes</b>	<b>(89,884)</b>

Net assets at beginning of year	<u>2,007,541</u>
Net assets at end of year	<u><u>\$1,917,657</u></u>

See accompanying notes to the financial statements.



**Southern Ohio Port Authority**  
*Statement of Cash Flows*  
For the Year Ended December 31, 2003

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Increase/(decrease) in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from grants	\$ 88,500
Cash received from rental income	8,100
Cash received from Program income	800
Cash payments for contractors	(73,600)
Cash payments for professional fees	(26,860)
Cash payments for administrative cost	(10,236)
Cash payments for suppliers	<u>(4,469)</u>
Net cash provided by operating activities:	(17,765)
Cash flows from Financing Activities:	
Cash received for interest income	<u>1,009</u>
Net cash provided by capital and related financing activities:	1,009
Net decrease in cash and cash equivalents:	(16,756)
Cash and cash equivalents at beginning of year	<u>68,065</u>
Cash and cash equivalents at end of year	<u><u>\$51,309</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	(\$90,893)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase)/decrease in income accounts receivable	(429,600)
Increase/(decrease) in accounts payable	74,628
Increase/(decrease) in deferred revenue	<u>428,100</u>
Net cash provided by operating activities:	<u><u>(\$17,765)</u></u>

See accompanying notes to the financial statements.

**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2004 and 2003*

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**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Southern Ohio 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 accounting policies conform to generally accepted accounting principles for governmental agencies including those principles prescribed by the Governmental Accounting Standard Board (GASB), the American Institute of Certified Public Accountants in the Publication entitled Audits of States, Local Governments, and Not-For-Profit Organizations Receiving Federal Awards and by the Financial Accounting Standards Board (FASB) (when applicable). The above policies have been consistently applied in the preparation of the financial statements.

***A. Reporting Entity***

The Southern Ohio Port Authority, Scioto 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 is governed by a five-member Board of Directors. Members of the Board are appointed by the Scioto 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 Scioto County.

The Port Authority is statutorily created as a separate and distinct political subdivision of the State. The Authority is governed by a nine member Board of Trustees appointed by the Scioto County Commissioners. Scioto 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. Scioto 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 operation 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: or (2) the Port Authority is legally entitled to or can otherwise access the organization's resources: the Port Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits or, or provide financial support to, the organization: or the Port Authority is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent of the Port Authority in the Port Authority approves the budget, the issuance of debt or the levying of taxes.

The Port Authority's management believes these financial statement present all activities for which the Port Authority is financial accountable. The Port Authority was formed on September 22, 1983

**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2004 and 2003*

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**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***B. Basis of Accounting***

The financial statement of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body of establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

The Port Authority's financial statements consist of a statement 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.

***C. Measurement Focus***

The enterprise fund is accounted for on a flow of economic resource 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.

***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. Budgetary Process***

**1. Appropriations**

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 appropriation lapse at year end.

**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2004 and 2003*

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**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (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.

**F. 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.

**G. 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 borrowing 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 2004 and 2003.

**H. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from primary activities. For the Port Authority, these revenues are rental income and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority.

**I. 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.

**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2004 and 2003*

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**NOTE 2-Cash**

Active deposits are public deposits necessary to meet current demands on the Treasury. Such monies must be maintained either as cash in the 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 Board of Trustees 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.

Interim deposits represent interim monies that 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 account including passbook accounts. Interim monies can be deposited or invested in the following securities:

1. Notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and 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 other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in item (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio)
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2004 and 2003

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**NOTE 2-Cash (Continued)**

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Authority by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2004 and 2003 \$51,308 and \$55,511 of the Authority's bank balances of \$51,308 and \$55,511 were covered by federal depository insurance. Although all State statutory requirements for the deposit of money have been followed, non-compliance with federal requirements could potentially subject the Authority to a successful claim by the FDIC.

**NOTE 3- Capital Assets**

Capital asset activity for the fiscal year ended December 31, 2003 was as follows:

<u>Capital Assets</u>	Balance at 12/31/02	Additions	Deletions	Balance at 12/31/03
Land held for resale	\$4,945,377	\$0	\$0	\$4,945,377
Total	<u>\$4,945,377</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,945,377</u>

Capital asset activity for the fiscal year ended December 31, 2004 was as follows:

<u>Capital Assets</u>	Balance at 12/31/03	Additions	Deletions	Balance at 12/31/04
Land held for resale	\$4,945,377	\$0	\$1,535,400	\$3,409,977
Total	<u>\$4,945,377</u>	<u>\$0</u>	<u>\$1,535,400</u>	<u>\$3,409,977</u>

**NOTE 4-Note Payable**

Changes in note obligations of the Port Authority during the year ended December 31, 2003 consisted of the following:

	Balance at 12/31/02	Additions	Deletions	Balance at 12/31/03	Due Within One Year
Village of New Boston	\$50,000	\$0	\$0	\$50,000	\$0
Arter and Hdden	400,000	0	0	400,000	0
New Boston Industrial Corporation	2,179,779	0	0	2,179,779	0
Scioto County	509,000	0	0	509,000	0
Total	<u>\$3,138,779</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,138,779</u>	<u>\$0</u>

**Southern Ohio Port Authority**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2004 and 2003

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**NOTE 4-Note Payable (Continued)**

Changes in note obligations of the Port Authority during the year ended December 31, 2004 consisted of the following:

	Balance at 12/31/03	Additions	Deletions	Balance at 12/31/04	Due Within One Year
Village of New Boston	\$50,000	\$0	\$0	\$50,000	\$0
Arter and Hdden	400,000	0	0	400,000	0
New Boston Industrial Corporation	2,179,779	0	1,535,400	644,379	0
Scioto County	509,000	0	0	509,000	0
<b>Total</b>	<b>\$3,138,779</b>	<b>\$0</b>	<b>\$1,535,400</b>	<b>\$1,603,379</b>	<b>\$0</b>

Village of New Boston note is unsecured with payment due on demand with 0% interest.

Arter and Hdden note is secured by real estate and payment is due on demand of sale of real estate.

New Boston Industrial Corporation note is secured by real estate and payment is due on demand of sale of real estate with the Authority making monthly interest payment.

Scioto County note is secured by real estate and payment is due on demand of sale of real estate.

**NOTE 5-Related Party Transactions**

SOPA owes \$509,000 to Scioto County. SOPA is a related organization of Scioto County.

**NOTE 6-Concentrations**

SOPA's primary assets consist of land, buildings, rail facilities and river dock located in Portsmouth, Ohio. SOPA's primary source of income has been state and federal grants used in the remedial development of Brownfield industrial property that is ultimately sold at fair market value. The purpose of SOPA's sale of industrial property is to promote the creation of industrial related jobs in Scioto County and property sales are typically made at below cost. SOPA has been totally dependent on state and federal funds for its continued existence.

# BALESTRA, HARR & SCHERER CPAs, INC.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Southern Ohio Port Authority  
433 Third St.  
PO Box 1525  
Portsmouth, Ohio 45662

We have audited the business-type activities of the Southern Ohio Port Authority, Scioto County, Ohio, (the Authority) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 30, 2007. 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.

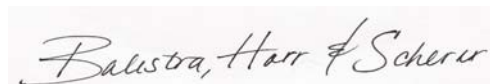
### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and members of the Board, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
November 30, 2007





**Mary Taylor, CPA**  
Auditor of State

**SOUTHERN OHIO PORT AUTHORITY**

**SCIOTO 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  
FEBRUARY 12, 2008**