



Dave Yost • Auditor of State

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of the Guernsey County Port Authority, Guernsey County, Ohio (the Authority), as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statement, the Authority prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Authority does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Guernsey County Port Authority, Guernsey County, Ohio, as of December 31, 2014 and 2013, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 30, 2015

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<u>Operating Cash Receipts:</u>		
Grant Income	\$122,131	\$309,478
Contributions	2,700	0
Lease Income	723,057	723,057
Transaction Fees	49,332	16,321
Application Fees	554	900
Loan Repayments	75,647	47,299
Interest	3,306	3,898
<i>Total Operating Cash Receipts</i>	976,727	1,100,953
<u>Operating Cash Disbursements:</u>		
Advertising	33	30
Debt Repayment	531,305	519,576
Dues & Memberships	100	100
Insurance	1,100	2,739
Interest	188,870	201,599
Loans Disbursed	39,600	40,000
Meetings and Conferences	390	0
Office and Postage Expense	611	485
Professional Fees	79	2,144
Project Expenses	97,235	247,149
Real Estate Tax	6,432	6,421
Stipends	15,915	15,915
<i>Total Operating Cash Disbursements</i>	881,671	1,036,157
<i>Operating Income</i>	95,056	64,796
<i>Cash Balances, January 1</i>	144,306	79,510
<i>Cash Balances, December 31</i>	\$239,362	\$144,306

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

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**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

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

B. Basis of Accounting

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

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

C. Fund Accounting

The Port Authority maintains an Enterprise Fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the Port Authority.

D. Property, Plant and Equipment

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level or control, and appropriations measures and subsequent amendments. Appropriations lapse at year end.

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013
(Continued)**

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 cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Loan Repayments and Loans Disbursed

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

2. EQUITY IN POOLED DEPOSITS

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

	2014	2013
Demand deposits	\$239,362	\$144,306

Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$976,729	\$976,727	(\$2)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$881,671	\$881,671	\$0

**GUERNSEY COUNTY PORT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$1,100,955	\$1,100,953	(\$2)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$1,036,157	\$1,036,157	\$0

4. RISK MANAGEMENT

The Authority has obtained commercial insurance for the following risks;

- Public Official Liability and
- Commercial Crime

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

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
State of Ohio Loan	\$4,621,118	2%
Community Industrial Association Loan	\$422,175	5%
Ohio Water Development Authority Loan	1,865,826	3%
Total	\$6,909,119	

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

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

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	State of Ohio		
	Loan	CIA Loan	OWDA Loan
2015	\$511,749	\$21,109	\$186,300
2016	4,255,485	432,729	186,300
2017			186,300
2018			186,300
2019			186,300
2020-2024			931,500
2025-2027			465,750
Total	<u>\$4,767,234</u>	<u>\$453,838</u>	<u>\$2,328,750</u>

6. CONSORTIUM

The Authority is a member of a consortium of local government agencies in Guernsey County. This consortium has purchased property and is in the process of selling parcels to local or re-locating businesses. The cash balance of \$9,469 of the consortium is included in the Authority's financial statements.

7. LEASE INCOME

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

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

The amount of lease income for 2014 and 2013 was \$723,057 and \$723,057, respectively.

8. CONTINGENT LIABILITIES

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

9. CONDUIT DEBT

The Port Authority has issued obligations to provide financial assistance to an Ohio limited liability company for the acquisition and construction of commercial facilities deemed to be in the public interest. These obligations are payable solely from pledged lease receipts and are not otherwise obligations of the Port Authority. The obligations do not constitute a debt or pledge of the faith and credit of the Port Authority and accordingly have not been reported in the accompanying financial statements.

**GUERNSEY COUNTY PORT AUTHORITY
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013
(Continued)**

9. CONDUIT DEBT (Continued)

During 2014, the Port Authority authorized issuance of taxable development revenue bonds not to exceed \$6,600,000 to Pine Hill Crossing, LLC. The total amount of bonds actually issued and the amount outstanding at December 31, 2014 was not available.

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

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

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the Guernsey County Port Authority, Guernsey County, Ohio (the Authority), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statement, and have issued our report thereon dated December 30, 2015 wherein we noted the Authority followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 30, 2015



Dave Yost • Auditor of State

GUERNSEY COUNTY PORT AUTHORITY

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 26, 2016**