



Dave Yost • Auditor of State



**BELMONT COUNTY PORT AUTHORITY  
BELMONT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Belmont County Port Authority  
Belmont County  
101 North Market Street – Suite J  
St. Clairsville, Ohio 43950

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Belmont County Port Authority, Belmont County, Ohio (the Port Authority), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express opinions 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Belmont County Port Authority, Belmont County, Ohio, as of December 31, 2011 and 2010, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the accounting basis Note 1 describes.

As described in Note 2, during 2010 the Belmont County Port Authority adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2012, on our consideration of the Port 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.

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We conducted our audit to opine on the Port Authority's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, governmental activities and debt. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

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

May 24, 2012

Port Authority  
Belmont County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2011 and 2010  
Unaudited

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This discussion and analysis of Belmont County Port Authority's (the Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2011 and 2010, within the limitations of the Port Authority's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Port Authority's financial performance.

### **Highlights**

Key highlights for 2011 and 2010 are as follows:

Net assets of governmental activities decreased by \$34,049 in 2011, a significant change from the prior year. This decrease was due to expending contributions from Belmont County for a waterline project without receiving grant money to help offset these expenditures.

Net assets of governmental activities decreased by \$122,802 in 2010, a significant change from the prior year. This decrease was due to an industrial park road construction project.

The Port Authority's general receipts in 2011 are primarily county contributions. These receipts represent \$98,000 and 80 percent of the total cash received for governmental activities during the year.

The Port Authority's general receipts in 2010 are primarily intergovernmental receipts. These receipts represent \$750,000 and 69 percent of the total cash received for governmental activities during the year.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Port Authority's cash basis of accounting.

### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Port Authority as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Port Authority as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

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### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Port Authority has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Port Authority's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

### **Reporting the Port Authority as a Whole**

The statement of net assets and the statement of activities reflect how the Port Authority did financially during 2011 and 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Port Authority at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Port Authority's general receipts.

These statements report the Port Authority's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Port Authority's financial health. Over time, increases or decreases in the Port Authority's cash position is one indicator of whether the Port Authority's financial health is improving or deteriorating. When evaluating the Port Authority's financial condition, you should also consider other nonfinancial factors as well such as Belmont County's contributions, the extent of the Port Authority's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as operating and capital grants.

In the statement of net assets and the statement of activities, the Port Authority reports only one type of activity:

Governmental activities - All of the Port Authority's basic services are reported here. State and federal grants and contributions from Belmont County finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

### **Reporting the Port Authority's Most Significant Funds**

Fund financial statements provide detailed information about the Port Authority's major funds – not the Port Authority as a whole. The Port Authority establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Port Authority are governmental.

Governmental Funds - All of the Port Authority's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Port Authority's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Port Authority's programs.

Port Authority  
Belmont County  
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The Port Authority's significant governmental funds are presented on the financial statements in separate columns. The Port Authority's major governmental funds for 2011 are the General, East Ohio Regional Industrial Park Grant, and Eastern Ohio Regional Industrial Park Waterline Grant Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Port Authority as a Whole**

Table 1 provides a summary of the Port Authority's net assets for 2011 compared to 2010 and 2009 on a cash basis:

	<b>Net Assets</b>		
	<u>Governmental Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$226,383	\$260,432	\$383,234
Total Assets	<u>\$226,383</u>	<u>\$260,432</u>	<u>\$383,234</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	211,900	250,431	367,486
Unrestricted	<u>14,483</u>	<u>10,001</u>	<u>15,748</u>
Total Net Assets	<u>\$226,383</u>	<u>\$260,432</u>	<u>\$383,234</u>

As mentioned previously, in 2011 net assets of governmental activities decreased by \$34,049, a significant change from the prior year. This decrease was due to expending contributions from Belmont County for a waterline project without receiving grant money to help offset these expenditures.

Net assets of governmental activities decreased by \$122,802 in 2010, a significant change from the prior year. This decrease was due to an industrial park road construction project.

Table 2 reflects the changes in net assets on a cash basis in 2011, 2010 and 2009 for governmental activities.

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(Table 2)  
**Changes in Net Assets**

	Governmental Activities		
	2011	2010	2009
Receipts:			
Program Receipts:			
Capital Grants and Contributions	\$0	\$750,000	\$0
Total Program Receipts	<u>0</u>	<u>750,000</u>	<u>0</u>
General Receipts:			
Belmont County contributions	98,000	344,600	100,000
Other Debt Proceeds	20,500		
Sale of Property		0	425,000
Loan from Belmont County		0	750,000
Miscellaneous	3,405	43	0
Total General Receipts	<u>121,905</u>	<u>344,643</u>	<u>1,275,000</u>
Total Receipts	<u>121,905</u>	<u>1,094,643</u>	<u>1,275,000</u>
Disbursements:			
Economic Development	155,954	1,217,445	895,837
Total Disbursements	<u>155,954</u>	<u>1,217,445</u>	<u>895,837</u>
Increase (Decrease) in Net Assets	(34,049)	(122,802)	379,163
Net Assets, January 1	260,432	383,234	4,071
Net Assets, December 31	<u>\$226,383</u>	<u>\$260,432</u>	<u>\$383,234</u>

Program receipts represent 0 percent in 2011 and 69 percent in 2010 of total receipts and are primarily comprised of restricted intergovernmental receipts such as grants.

General receipts represent 100 percent in 2011 and 31 percent in 2010 of the Port Authority's total receipts.

Disbursements for Economic Development decreased in 2011 due to decreased grant activity and increased in 2010 due to grants obtained for the public roadwork improvements related to the Eastern Ohio Regional Industrial Park.

**Governmental Activities**

If you look at the Statement of Activities on pages 10 and 15, you will see that the first column lists the major service provided by the Port Authority. The next column identifies the costs of providing these services. The next column of the Statement entitled Program Receipts identify amounts paid by grants received by the Port Authority that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

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Belmont County  
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(Table 3)

**Governmental Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Economic Development	\$155,954	\$155,954	\$1,217,445	\$467,445	\$895,837	\$895,837
Total Expenses	<u>\$155,954</u>	<u>\$155,954</u>	<u>\$1,217,445</u>	<u>\$467,445</u>	<u>\$895,837</u>	<u>\$895,837</u>

The dependence upon Belmont County contributions is apparent as 84 percent of governmental general operation activities was supported through the contribution in 2011.

The dependence upon Belmont County contributions is apparent as 74 percent of governmental general operation activities was supported through the contribution in 2010.

**The Port Authority's Funds**

During 2011 the General Fund had receipts of \$121,905 and disbursements of \$117,423. The Eastern Ohio Regional Industrial Park Grant Fund had receipts of \$0 and disbursements of \$38,531.

During 2010 the General Fund had receipts of \$122,643 and disbursements of \$128,390. The 629 Roadwork Development Grant Fund had receipts of \$722,000 and disbursements of \$1,089,055. The Eastern Ohio Regional Industrial Park Grant Fund had receipts of \$250,000 and disbursements of \$0.

**Budgeting Highlights**

The Port Authority's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2011 final disbursements were budgeted at \$110,292 for the General Fund and actual disbursements were \$117,423.

During 2010 final disbursements were budgeted at \$128,391 for the General Fund and actual disbursements were \$128,390.

**Capital Assets and Debt Administration**

**Capital Assets**

The Port Authority does not report capital assets and infrastructure under the cash basis of accounting.

**Debt**

At December 31, 2011, the Port Authority has outstanding debt of \$20,500.

**Contacting the Port Authority's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Port Authority's finances and to reflect the Port Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Larry Merry of Belmont County Port Authority, 101 North Market-Suite J, St. Clairsville, OH 43950.

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**Belmont County Port Authority**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2011*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$226,383
<i>Total Assets</i>	<u><u>\$226,383</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$211,900
Unrestricted	14,483
<i>Total Net Assets</i>	<u><u>\$226,383</u></u>

**Belmont County Port Authority**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2011*

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities</b>			
Current:			
Economic Development	\$155,954		(\$155,954)
<i>Total Governmental Activities</i>	<u>\$155,954</u>	<u>\$0</u>	<u>(155,954)</u>
General Receipts:			
Other Debt Proceeds			20,500
Miscellaneous			3,405
Contributions from Belmont County			98,000
<i>Total General Receipts</i>			121,905
			(34,049)
			260,432
			<u>\$226,383</u>

See accompanying notes to the basic financial statements

**Belmont County Port Authority**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2011*

	General	Eastern Ohio Regional Industrial Park Grant Fund	629 Roadwork Development Grant Fund	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$14,483	\$211,469	\$431	\$226,383
<i>Total Assets</i>	<u>\$14,483</u>	<u>\$211,469</u>	<u>\$431</u>	<u>\$226,383</u>
<b>Fund Balances</b>				
Restricted		\$211,469	\$431	\$211,900
Unassigned (Deficit)	\$14,483			14,483
<i>Total Fund Balances</i>	<u>\$14,483</u>	<u>\$211,469</u>	<u>\$431</u>	<u>\$226,383</u>

See accompanying notes to the basic financial statements

**Belmont County Port Authority**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

	General	Eastern Ohio Regional Industrial Park Grant Fund	629 Roadwork Development Grant Fund	Total Governmental Funds
<b>Receipts</b>				
Belmont County Contributions	\$98,000			\$98,000
Miscellaneous	3,405			3,405
<i>Total Receipts</i>	<u>101,405</u>	<u>\$0</u>	<u>\$0</u>	<u>101,405</u>
<b>Disbursements</b>				
Current:				
Economic Development	117,423	38,531	0	155,954
<i>Total Disbursements</i>	<u>117,423</u>	<u>38,531</u>	<u>0</u>	<u>155,954</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,018)</u>	<u>(38,531)</u>	<u>0</u>	<u>(54,549)</u>
<b>Other Financing Sources (Uses)</b>				
Other Debt Proceeds	20,500			20,500
<i>Total Other Financing Sources (Uses)</i>	<u>20,500</u>	<u>0</u>	<u>0</u>	<u>20,500</u>
<i>Net Change in Fund Balances</i>	4,482	(38,531)	0	(34,049)
<i>Fund Balances Beginning of Year</i>	<u>10,001</u>	<u>250,000</u>	<u>431</u>	<u>260,432</u>
<i>Fund Balances End of Year</i>	<u>\$14,483</u>	<u>\$211,469</u>	<u>\$431</u>	<u>\$226,383</u>

See accompanying notes to the basic financial statements

**Belmont County Port Authority**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual - Budget Basis  
 General Fund  
 For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Belmont County Contributions	\$23,750	\$98,000	\$98,000	\$0
Miscellaneous		2,290	3,405	1,115
<i>Total Receipts</i>	<u>23,750</u>	<u>100,290</u>	<u>101,405</u>	<u>1,115</u>
<b>Disbursements</b>				
Current:				
Economic Development	33,752	110,292	117,423	(7,131)
<i>Total Disbursements</i>	<u>33,752</u>	<u>110,292</u>	<u>117,423</u>	<u>(7,131)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,002)</u>	<u>(10,002)</u>	<u>(16,018)</u>	<u>(6,016)</u>
<b>Other Financing Sources (Uses)</b>				
Other Debt Proceeds			20,500	20,500
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>20,500</u>	<u>20,500</u>
<i>Net Change in Fund Balance</i>	(10,002)	(10,002)	4,482	14,484
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>10,001</u>	<u>10,001</u>	<u>10,001</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>(\$1)</u>	<u>(\$1)</u>	<u>\$14,483</u>	<u>\$14,484</u>

**Belmont County Port Authority**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$260,432</u>
<i>Total Assets</i>	<u><u>\$260,432</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$250,431
Unrestricted	<u>10,001</u>
<i>Total Net Assets</i>	<u><u>\$260,432</u></u>

See accompanying notes to the basic financial statements

**Belmont County Port Authority**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2010

	Cash Disbursements	Program Cash Receipts Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
<b>Governmental Activities</b>			
Current:			
Economic Development	\$467,445		(\$467,445)
Repayment to Primary Government	750,000	\$750,000	0
<i>Total Governmental Activities</i>	<u>\$1,217,445</u>	<u>\$750,000</u>	<u>(467,445)</u>
		General Receipts:	
		Miscellaneous	43
		Contributions from Belmont County	344,600
		<i>Total General Receipts</i>	<u>344,643</u>
		Change in Net Assets	(122,802)
		<i>Net Assets Beginning of Year</i>	<u>383,234</u>
		<i>Net Assets End of Year</i>	<u>\$260,432</u>

See accompanying notes to the basic financial statements

**Belmont County Port Authority**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2010*

	General	629 Roadwork Development Grant Fund	Eastern Ohio Regional Industrial Park Grant Fund	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$10,001	\$431	\$250,000	\$260,432
<i>Total Assets</i>	<u>\$10,001</u>	<u>\$431</u>	<u>\$250,000</u>	<u>\$260,432</u>
<b>Fund Balances</b>				
Restricted		\$431	\$250,000	250,431
Unassigned (Deficit)	\$10,001			10,001
<i>Total Fund Balances</i>	<u>\$10,001</u>	<u>\$431</u>	<u>\$250,000</u>	<u>\$260,432</u>

See accompanying notes to the basic financial statements

**Belmont County Port Authority**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2010*

	General	629 Roadwork Development Grant Fund	Eastern Ohio Regional Industrial Park Grant Fund	Total Governmental Funds
<b>Receipts</b>				
Belmont County Contributions	\$94,600		\$250,000	\$344,600
Intergovernmental	28,000	\$722,000		750,000
Miscellaneous	43			43
<i>Total Receipts</i>	<u>122,643</u>	<u>722,000</u>	<u>250,000</u>	<u>1,094,643</u>
<b>Disbursements</b>				
Current:				
Economic Development	100,390	367,055		467,445
Repayment to Primary Government	28,000	722,000		750,000
<i>Total Disbursements</i>	<u>128,390</u>	<u>1,089,055</u>	<u>0</u>	<u>1,217,445</u>
<i>Net Change in Fund Balances</i>	(5,747)	(367,055)	250,000	(122,802)
<i>Fund Balances Beginning of Year</i>	<u>15,748</u>	<u>367,486</u>	<u>0</u>	<u>383,234</u>
<i>Fund Balances End of Year</i>	<u>\$10,001</u>	<u>\$431</u>	<u>\$250,000</u>	<u>\$260,432</u>

See accompanying notes to the basic financial statements

**Belmont County Port Authority**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual - Budget Basis  
 General Fund  
 For the Year Ended December 31, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Belmont County Contributions		\$94,600	\$94,600	\$0
Intergovernmental		28,000	28,000	0
Miscellaneous		43	43	0
<i>Total Receipts</i>	0	122,643	122,643	0
<b>Disbursements</b>				
Current:				
Economic Development	5,748	100,391	100,390	1
Repayment to Primary Government		28,000	28,000	0
<i>Total Disbursements</i>	5,748	128,391	128,390	1
<i>Net Change in Fund Balance</i>	(5,748)	(5,748)	(5,747)	1
<i>Unencumbered Fund Balance Beginning of Year</i>	15,748	15,748	15,748	0
<i>Unencumbered Fund Balance End of Year</i>	\$10,000	\$10,000	\$10,001	\$1

See accompanying notes to the basic financial statements

Belmont County Port Authority  
Belmont County  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Belmont County Port Authority, Belmont County, Ohio (the Port Authority), as a body corporate and politic. The Port Authority operates under the direction of a five member Board of Directors. The Board is comprised of five members appointed by the Belmont County Commissioners. The Port Authority is authorized to purchase, construct, sell, lease and operate facilities within its jurisdiction as enumerated in Ohio Revised Code Sections 4582.01 through 4582.20.

The Port Authority is governed by a five member Board of Directors that acts as the authoritative and legislative body of the entity. The Board is appointed by the Board of Commissioners of Belmont County.

The Port Authority Board elects a chairperson, vice-chairperson, secretary and treasurer. The chairperson will preside over all meetings and will appoint committee members from the Port Authority Board as deemed necessary. The Port Authority Board may employ a director and other staff he deems necessary. The Port Authority was created to promote economic growth and development in the County.

The Port Authority is a discretely presented component unit in Belmont County's December 31, 2011 and 2010 Comprehensive Annual Financial Reports, as defined by the provisions of GASB Statement Nos. 14 and No. 39. Also, Belmont County serves as the fiscal agent for the Port Authority. The Port Authority's management believes these financial statements represent all activities for which the Port Authority is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Port Authority's accounting policies.

**A. Basis of Presentation**

The Port Authority's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The Statement of Net Assets presents the financial condition of the governmental activities of the Port Authority at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Port Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

**Note 2 – Summary of Significant Accounting Policies** (continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Port Authority, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Port Authority.

Fund Financial Statements

During the year, the Port Authority segregates transactions related to certain Port Authority functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Port Authority at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The Port Authority did not have any non-major funds in 2011 or 2010.

B. Fund Accounting

The Port Authority uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Port Authority are governmental.

General Fund - This fund receives contributions from the primary government, Belmont County, for the general operations of the Port Authority. The General Fund balance is available to the Port Authority for any purpose provided it is expended or transferred according to the general laws of Ohio.

629 Roadwork Development Grant Fund – This capital projects fund accounts for the receipts and expenditures of a grant from the Ohio Department of Development for the construction of a road within the East Ohio Regional Industrial Park.

East Ohio Regional Industrial Park Waterline Grant Fund – This capital projects fund received contributions from Belmont County to be used as matching funds for a grant to be used for waterline installation to and within the East Ohio Regional Industrial Park.

C. Basis of Accounting

The Port Authority's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Port Authority's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Port Authority are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**Note 2 – Summary of Significant Accounting Policies** (continued)

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Port Authority may appropriate.

The appropriations resolution is the Port Authority's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Port Authority. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Port Authority Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Port Authority.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Port Authority during the year.

**E. Cash**

The Belmont County Treasurer is custodian for the Port Authority's cash. The Port Authority's cash is held in the County's cash and investment pool, and is valued at the County Treasurer's carrying amount. Deposits and investment disclosures for the County as a whole may be obtained from the County.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**G. Inventory and Prepaid Items**

The Port Authority reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Port Authority reports advances-in and advances-out for interfund loans. There were no advances during 2011 or 2010.

**Note 2 – Summary of Significant Accounting Policies** (continued)

**J. Accumulated Leave**

Upon leaving employment, employees are not entitled to cash payments for unused sick leave. Employees may be entitled to cash payments for unused vacation hours. Accumulated vacations hours are small and deemed insignificant. Unpaid vacation hours are not reflected as a liability under the Port Authority's cash basis of accounting.

**K. Long-Term Obligations**

The Port Authority's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road maintenance, fire protection and cemetery maintenance. The Port Authority's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Port Authority is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Port Authority. Those committed amounts cannot be used for any other purpose unless the Port Authority removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Port Authority, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Note 2 – Summary of Significant Accounting Policies** (continued)

**M. Fund Balance** (Continued)

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Port Authority for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Port Authority.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Port Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**Note 4 – Compliance**

Contrary to Ohio law, the Port Authority's expenditures exceeded appropriation authority at the legal level of control in the General Fund by \$20,500 for the year ended December 31, 2011 and in the 629 Roadwork Development Grant Fund by \$100,000 for the year ended December 31, 2010.

**Note 5 – Equity in Pooled Cash**

The Belmont County Auditor serves as fiscal agent of the Port Authority. The Ohio Revised Code prescribes allowable deposits and investments for both the Port Authority and the County. At December 31, 2011 and 2010, the Port Authority had cash and investments with a carrying amount of \$226,383 and \$260,432, respectively, which are included in and collateralized with Belmont County's cash management pool.

**Note 6 – Defined Benefit Pension Plan**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Plan Description – The Port Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of

**Note 6 – Defined Benefit Pension Plan (Continued)**

which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2011, member and employer contribution rates were consistent across all three plans.

The Port Authority's 2011 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010 (the latest information available). The portion of employer contributions allocated to health care for members 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 latest information available). Employer contribution rates are actuarially determined.

The Port Authority's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$10,150, \$10,150, and \$10,150, respectively; 92 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

**Note 7 – Postemployment Benefits**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, 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.

**Note 7 – Postemployment Benefits (Continued)**

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.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employers.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010 (the latest information available). The portion of employer contributions allocated to health care for members 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 latest information available).

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

The Board's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010 and 2009 (the latest information available) were \$515 and \$582, respectively; 92 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**Note 8 – Contingencies**

Grants

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor, principally the federal government. 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.

**Note 9 – Related Party Transaction**

The Port Authority received operating subsidies of \$98,000 from the Belmont County Commissioners in 2011 and \$94,600 in 2010. Also, during 2010, the Belmont County Commissioners transferred monies to the Port Authority in the amount of \$250,000 to serve as matching monies for an Ohio Department of Development Low Intensity Job Ready Site Grant in the amount of \$750,000.

Belmont County Port Authority  
Belmont County  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010

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**Note 10 – Loans**

During 2010 the Port Authority repaid \$750,000 to the Belmont County Commissioners for prior year advances.

The Port Authority Board of Directors authorized borrowing \$40,000 to purchase the Armory building in Bellaire. On December 15, 2011 the Port Authority received loan proceeds in the amount of \$20,500 from United Bank on a one-year promissory note. The Port Authority is still in the process of purchasing the building and the note payment amount has not been finalized.

**Note 11 – Subsequent Events**

On March 19, 2012, the Port Authority Board of Directors approved obtaining a loan for approximately \$325,000 for the purchase of a building and minor improvements to such building. The loan is expected to be repaid through revenue received from leasing the building to a tenant. The Port Authority does have a prospective tenant for the building. As of the date of this report, the Port Authority has not completed the purchase of the building, and the exact amount of the loan is unavailable.



# Dave Yost • Auditor of State

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

Belmont County Port Authority  
Belmont County  
101 North Market Street – Suite J  
St. Clairsville, Ohio 43950

To the Board of Directors:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belmont County Port Authority, Belmont County, Ohio (the Port Authority), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated May 24, 2012 wherein we noted the Port Authority uses a comprehensive accounting basis other than generally accepted accounting principles and has adopted Governmental Accounting Standards Board Statement No. 54. 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 Port Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Port Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying Schedule of Findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Port Authority's management in a separate letter dated May 24, 2012.

We intend this report solely for the information and use of management, the Board of Directors, and others within the Port Authority. We intend it for no one other than these specified parties.

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

May 24, 2012

**BELMONT COUNTY PORT AUTHORITY  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

**FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2011-01**

**Noncompliance Citation/Material Weakness**

Ohio Admin. Code Section 117-2-02 (A) requires all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Port Authority obtained a \$20,500 promissory note from a bank to make a ten percent down payment with General Services Administration to purchase the Armory Building in Bellaire. The Port Authority did not record the proceeds of a promissory note or payment to General Services Administration on their accounting records or financial statements in the General Fund in the amount of \$20,500 for 2011. The Port Authority made the necessary adjustments to the accounting records and financial statements to record the proceeds of the promissory note and the payment to the General Services Administration.

We recommend the Port Authority include all financial transactions as they relate to the Port Authority.

**Officials' Response:** The Port Authority officials did not respond to the above finding.

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# Dave Yost • Auditor of State

**BELMONT COUNTY PORT AUTHORITY**

**BELMONT 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  
JUNE 21, 2012**