



**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

STARK COUNTY PORT AUTHORITY
STARK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Stark County Port Authority
Stark County
116 Cleveland Avenue, NW
Suite 600
Canton, Ohio 44702

To the Board of Directors:

We have audited the accompanying financial statements of the Stark County Port Authority, Stark County, (the Port Authority) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Port Authority prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances and reserves for encumbrances of the Port Authority as of December 31, 2001, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Board of Directors and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 13, 2002

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

Operating Cash Receipts:	
Rental Income	<u>\$63,756</u>
Operating Cash Disbursements:	
Contractual Services	155,896
Insurance	10,832
Legal	61,598
Miscellaneous Fees	<u>12,035</u>
Total Operating Cash Disbursements	<u>240,361</u>
Total Operating Cash Receipts (Under) Operating Cash Disbursements	<u>(176,605)</u>
Non-Operating Cash Receipts/(Disbursements):	
Intergovernmental	50,000
Investment Income	6,679
Other	53,952
Insurance Proceeds	876,000
Interest and Fiscal Charges	<u>(3,250)</u>
Total Non-Operating Cash Receipts	<u>983,381</u>
Excess of Cash Receipts Over Cash Disbursements	806,776
Cash Balance, January 1	<u>237,552</u>
Cash Balance, December 31	<u><u>\$1,044,328</u></u>
Reserves for Encumbrances, December 31	<u><u>\$49,685</u></u>

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

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**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Port Authority is a component unit of Stark County due to the members of the Port Authority's Board being appointed by the Stark County Board of Commissioners and the Port Authority is economically dependent on the County for financial support.

The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed in June 1995.

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. 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.

D. Budgetary Process

Budget

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

Appropriations

According to the bylaws of the Port Authority, the Board shall adopt an appropriation resolution.

Encumbrances

The Port Authority reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and are not reappropriated.

A summary of 2001 budgetary activity appears in Note 3.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant and Equipment

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

2. CASH

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2001 follows:

Demand deposits	\$42,853
Certificates of deposit	<u>1,001,475</u>
Total deposits	<u><u>\$1,044,328</u></u>

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2001 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$227,000	\$1,050,387	\$823,387

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$308,600	\$293,296	\$15,304

4. DEBT

At December 31, 2001, debt outstanding totaled \$100,000 consisting of two \$50,000 loans with the Community Improvement Corporation (CIC) with a 3% rate of interest.

The Port Authority obtained the CIC loans for operating purposes. The interest will be paid in annual installments with the balance of the loan being repaid at the end of the loan term.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

4. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>1997 Loan</u>	<u>1998 Loan</u>	<u>Total</u>
2002	\$51,500	\$1,500	\$53,000
2003	<u>0</u>	<u>51,500</u>	<u>51,500</u>
Total	<u>\$51,500</u>	<u>\$53,000</u>	<u>\$104,500</u>

5. RISK MANAGEMENT

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

- Comprehensive property and general liability; and
- Errors and omissions.

6. CONTINGENT LIABILITIES

The Port Authority is defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Port Authority's financial condition.

7. RELATED PARTY TRANSACTIONS

During 1997 and 1998, the Port Authority applied for and received loans through the Stark County CIC. The Stark Development Board (SDB) does the billing of these loans for the CIC and charges a service fee for this service to the entities receiving the loans. The Port Authority contracts with the SDB for administrative and management services. In 2001, the Port Authority paid SDB \$250 for servicing the loans.

8. INSURANCE PROCEEDS/CASH HELD IN ESCROW

On June 1, 2001, a building owned by the Port Authority was destroyed by fire. Through December 31, 2001, the Port Authority received \$876,000 in insurance proceeds related to this claim. Additionally, \$95,000 of insurance proceeds were remitted directly to the Lexington Township Fire Department to be held in escrow in accordance with Ohio Revised Code Section 3929.86. The proceeds will be held in a Demolition Escrow Fund until proper cleanup of the site has been completed at which time the funds will be forwarded to the Port Authority.

9. SUBSEQUENT EVENT

On January 14, 2002, the Board of Directors adopted a resolution to consider authorizing and issuing revenue bonds of the Port Authority in an aggregate face amount not to exceed \$1,500,000 to assist Canton Country Day School (the "School") in financing and refinancing costs of a project. The School has requested the Port Authority to issue self-supporting port authority revenue bonds for the purpose of paying "costs" of refinancing an existing loan incurred in connection with the expansion of the School's existing building, building improvements and repairs, purchasing new school busses and vans and issuing the Bonds.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Stark County Port Authority
Stark County
116 Cleveland Avenue, NW
Suite 600
Canton, Ohio 44702

To the Board of Directors:

We have audited the accompanying financial statements of the Stark County Port Authority, Stark County, (the Port Authority) as of and for the year ended December 31, 2001, and have issued our report thereon dated May 13, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Port Authority in a separate letter dated May 13, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Port Authority in a separate letter dated May 13, 2002.

Stark County Port Authority
Stark County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended solely for the information and use of the audit committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

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Jim Petro
Auditor of State

May 13, 2002



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STARK COUNTY PORT AUTHORITY

STARK 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 18, 2002**