



**Auditor of State
Betty Montgomery**

STARK COUNTY PORT AUTHORITY
STARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type For the Year Ended December 31, 2004	5
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	15

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**Auditor of State
Betty Montgomery**

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

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 8, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, Ohio, (the Port Authority), a component unit of Stark County, as of and for the year ended December 31, 2004. 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 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 opinion.

As described more fully in Note 1, the Port Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Port Authority to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Port Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Port Authority has elected not to reformat its statements. Since this Port Authority does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Port Authority as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance and reserves for encumbrances of the Stark County Port Authority, Stark County, as of December 31, 2004, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Port Authority to include Management's Discussion and Analysis for the year ended December 31, 2004. The Port Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2005, 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*. We recommend that it be read in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

July 8, 2005

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

Operating Cash Receipts:	
Charges for Services	\$8,000
Intergovernmental	<u>25,000</u>
Total Operating Cash Receipts	<u>33,000</u>
Operating Cash Disbursements:	
Administration	85,597
Professional Services	64,843
Capital Outlay	<u>1,374,261</u>
Total Operating Cash Disbursements	<u>1,524,701</u>
Non-Operating Cash Receipts	
Investment Income	5,300
Miscellaneous	<u>3,961</u>
Total Non-Operating Cash Receipts	<u>9,261</u>
Total Non-Operating Cash Receipts (Under) Operating Cash Disbursements	<u>(1,482,440)</u>
Other Financing Receipts/(Disbursements):	
Proceeds from OWDA Loan	1,381,624
OWDA Loan Fees	<u>(7,363)</u>
Total Other Financing Receipts/(Disbursements)	<u>1,374,261</u>
Excess of Non-Operating Cash Receipts and Other Financing Receipts (Under) Operating Cash Disbursements and Other Financing Disbursements	(108,179)
Cash Balance, January 1	<u>598,069</u>
Cash Balance, December 31	<u><u>\$489,890</u></u>
Reserve for Encumbrances, December 31	<u><u>\$768,239</u></u>

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

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**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Stark County Port Authority, Stark County, Ohio, (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 since the members of the Port Authority's Board are 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.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Port Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash and Investments

The Port Authority's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or disbursements investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Port Authority values certificates of deposit at cost.

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.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Encumbrances

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

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Port Authority records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH

The Port Authority maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2004 was as follows:

Demand deposits	\$386,538
Certificates of deposit	<u>103,352</u>
Total deposits	<u><u>\$489,890</u></u>

Deposits: Deposits are 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, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$80,000	\$1,423,885	\$1,343,885

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$2,270,000	\$2,300,303	(\$30,303)

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. NONCOMPLIANCE

Contrary to Ohio Revised Code Section 5705.28(B)(2)(c), appropriations exceeded total estimated revenue by \$1,638,271.

5. DEBT

- A.** At December 31, 2004, debt outstanding totaled \$50,000 with the Community Improvement Corporation (CIC) with a 3% rate of interest.

The Port Authority obtained the CIC loan during 1998 for operating purposes. The interest is paid in annual installments with the balance of the loan being repaid at the end of the loan term.

Amortization of the debt, including interest, is \$50,000 and was scheduled to be paid in full by the end of the fiscal year ended December 31, 2003. However, the loan was deferred by the Stark County CIC. The deferment period will continue until the former Crane property is sold or leased at which time, the balloon payment will become due within 6 months.

- B.** On October 11, 2004, the Port Authority, in conjunction with Superior Dairy, Inc., entered into an agreement to construct a Chemical and Production Reclaim System. In order to obtain funds for the construction of the project, the Port Authority entered into a loan agreement with the Ohio Water Development Authority.

The loan agreement authorized the Port Authority to obtain loan funds in an amount up to \$2,111,000 at a rate of 3% for 15 years. As of December 31, 2004, \$1,381,624 had been drawn against the loan. As a result, amortization of that loan will not be disclosed until all loan proceeds have been drawn.

6. RISK MANAGEMENT

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

- Public Officials liability, and
- Commercial crime

7. CONTINGENT LIABILITIES

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

8. 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. The 1998 loan is still outstanding as of December 31, 2004.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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 financial statements of the Stark County Port Authority, Stark County, Ohio, (the Port Authority) as of and for the year ended December 31, 2004, and have issued our report thereon dated July 8, 2005, wherein we noted the Port Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Port Authority's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2004-001.

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. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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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 matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-002.

In a separate letter to the Port Authority's management dated July 8, 2005, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 8, 2005

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Reportable Condition

Financial Reporting

Throughout fiscal year 2004, various errors and unreconciled differences existed between the Port Authority's Receipt Ledger, Appropriation Ledger, Cash Journal and Unaudited Financial Report as follows:

- Receipt #974 and #975 totaling \$1,236 and \$1,000, respectively, were posted to the Cash Journal but not the Receipts Ledger. These amounts were improperly reflected as negative expenditures in the Appropriation Ledger.
- A receipt totaling \$25,000 was initially recorded as Stark County Loan Proceeds on the Unaudited Financial Report. The receipt should have been reflected as Intergovernmental.
- Administration expenditures totaling \$26,907 were recorded in the Appropriation Ledger and Cash Journal; however, the expenditures were not initially posted to the Unaudited Financial Report. In addition, Professional Services expenditures totaling \$3,565 were initially posted to the Unaudited Financial Report; however, the expenditures were not recorded in the Appropriations Ledger and Cash Journal.
- Actual loan fees on an Ohio Water Development Authority (OWDA) loan were \$7,363. These fees were not initially recorded in the Appropriation Ledger, Cash Journal or Unaudited Financial Report. In addition, the amount of \$7,363 was not initially included as OWDA Loan Proceeds recorded in the Receipts Ledger, Cash Journal, and Unaudited Financial Report.
- Initially, the ending Fund Cash Balance on the Unaudited Financial Report did not total to the correct balance based on the receipt and expenditure activity presented.

As a result, the Receipt Ledger, Appropriation Ledger, Cash Journal and Unaudited Financial Report did not initially reconcile to the bank nor were all receipt and expenditure transactions properly classified.

To help ensure the accuracy of the Unaudited Financial Report and the aforementioned ledgers the Office Manager and Financial Consultant should closely review and reconcile the accounting records throughout the year. This will allow reporting errors or omissions to be identified and corrected timely. Reconciliations should be performed monthly and reconciling items should be investigated, documented and corrected in a timely manner.

FINDING NUMBER 2004-002

Material Noncompliance

Ohio Rev. Code Section 5705.28(B)(2)(c) the total appropriations from each fund of a taxing unit that does not levy a tax shall not exceed the total estimated revenue available for expenditures from the fund, and appropriations shall be made from each fund only for the purposes for which the fund is established.

During 2004, total appropriations exceeded total estimated resources by \$1,638,231 due to the Port Authority increasing appropriations for an OWDA loan; however, estimated receipts were not subsequently increased to account for the OWDA loan proceeds. The Port Authority should monitor appropriations versus estimated resources as determined in the operating budget to help avoid potential overspending and noncompliance.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Errors and un-reconciled differences existed between the Annual Financial Report and underlying supporting documentation.	No	Not Corrected – Refer to Finding Number 2004-001.



**Auditor of State
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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
AUGUST 25, 2005**