



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

COLUMBIANA COUNTY PORT AUTHORITY

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Columbiana County Port Authority
1250 St. George Street
East Liverpool, Ohio 43920-3400

We have audited the accompanying general-purpose financial statements of the Columbiana County Port Authority (the Port Authority) as of and for the year ended December 31, 2000 as listed in the table of contents. These general-purpose financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority, Columbiana County, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2001 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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Port Authority, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

June 6, 2001

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**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**BALANCE SHEET
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

<u>ASSETS</u>	<u>ENTERPRISE</u>
ASSETS:	
Equity in pooled cash and cash equivalents	\$2,803,019
Receivables (net of allowances of uncollectibles)	344,663
Prepaid: Insurance and workers comp. deposit	3,581
Property, plant and equipment (net of accumulated depreciation where applicable)	4,991,505
Construction in progress	<u>2,699,963</u>
Total assets and other debits	<u><u>\$10,842,730</u></u>
LIABILITIES AND EQUITY	
<u>LIABILITIES</u>	
Accounts payable	\$493,860
Miscellaneous Payable	361
Accrued wages and benefits	10,731
Compensated Absences	33,131
Loans payable	<u>1,058,565</u>
Total liabilities	\$1,596,649
<u>EQUITY</u>	
Total retained earnings	9,246,081
Total liabilities and equity	<u><u>\$10,842,730</u></u>

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

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Enterprise
Operating Revenues	
Rent	\$589,648
Grants	547,061
Miscellaneous	118,320
Total operating revenues	1,255,028
 Operating Expense	
Non-Payroll expenditures	405,885
Payroll expenditures	331,317
Depreciation	194,127
Travel & Entertainment	26,717
Travel Expense	3,621
Total Operating Expenses	961,667
 Operating Inc/Loss	293,361
 Nonoperating revenues (expenses)	
Gain/Loss: Proceeds	190,025
Gain/Loss: Book Value	(16,162)
Interest Income	140,723
Total nonoperating revenues (expenses)	314,585
 Net Income	607,947
 Retained Earnings, January 1	8,638,134
 Retained Earnings, December 31	\$9,246,081

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

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Enterprise Fund
Cash flows from operating activities:	
Net income (loss)	\$607,947
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation	194,127
Losses (gains) on sales of decrease (increase) in operating assets:	
Sale of asset	(173,863)
Accounts receivable	218,787
Other	(1,106,543)
Increase (decrease) in operating liabilities:	
Accounts payable	61,283
Accrued liabilities	171,603
	(634,606)
Total adjustments	(634,606)
Net cash provided by in operating activities:	(26,659)
Cash flows from investing activities:	
Purchase of fixed assets	(29,875)
Proceeds from sale of fixed assets	190,024
	160,149
Net cash (used in) investing activities	160,149
Cash flows from financing activities:	
Notes payable borrowings	0
Notes payable repayments	(133,972)
	(133,972)
Net cash (used in) financing activities	(133,972)
Net decrease in cash and cash equivalents	(482)
Cash and cash equivalents at beginning of year	2,803,501
Cash and cash equivalents at end of year	\$2,803,019

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

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**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Columbiana County Port Authority is presented to assist in understanding the entities financial statements. The financial statements notes are representations of the entities management and board who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles for governmental agencies including those principles prescribed by the Governmental Accounting Standard Board (GASB), The American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by The Financial Accounting Standards Board (when applicable). The above policies have been consistently applied in the preparation of the financial statements.

A. Reporting Entity

The Columbiana County Port Authority, Columbiana County, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority is governed by a Board of Directors. Members of the Board are appointed by the Columbiana County Commissioners. The Port Authority provides the following services which are defined by Chapter 4582 of the Ohio Revised Code and which services include but are not limited to the power to purchase, construct, re-construct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

Columbiana County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Columbiana County maintains its own accounting functions, is a separate reporting entity, and its financial activity is not included within the financial statements of the Port Authority.

The general office of the Port Authority is located within the City of East Liverpool City School District. These entities maintain their own accounting functions, are separate reporting entities, and their financial activities are not included within the financial statements of the Port Authority.

The Port Authority is a self-sufficient enterprise which does not receive funding from Columbiana County, the City of East Liverpool, or the East Liverpool City School District.

B. Property, Equipment and improvements

Property, equipment and improvements are carried and are depreciated using the straight line method over the estimated lives as follows:

Years	
Machinery and Equipment	3-10
Furniture and Fixtures	3-10
Buildings	10-30
Land Improvements	10-30

Expenditures for major renovations and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation for 2000 was \$194,127.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

C. Basis of Accounting

These financial statements were prepared on the Accrual Basis of Accounting. Revenues are recognized when earned rather than when received, and expenses are recognized when the liability is incurred rather than when payment is made.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that Use Proprietary Fund Accounting," the Port Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations Accounting Principles Board Options and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

D. Basis of Presentation-Fund Accounting

Proprietary Funds

The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) are segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e., expenses) in net total assets.

Enterprises Fund

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

E. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance eligible in the future to receive such payments.

Employees of the Port Authority earn vacation and sick leave at various rates within limits specified under their contract. At termination or retirement, employees are paid at their full rate for 100% of their unused vacation leave and 100% or up to 120 days of unused sick leave up to specified limits depending upon the contract.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

F. Cash and Cash Equivalents

Certificates of deposit (CD's) and business savings accounts are valued at cost. All CD's and savings accounts are used as short term investments for cash equivalents in the statement cash flows.

2. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. CASH EQUIVALENTS

Statutes require the classification of funds held by the Port Authority into three categories:

Category 1 consists of "active" funds – those funds required to be kept in "cash" or "near cash" status for immediate use by the Port Authority. Such funds must be maintained either as cash in the Port Authority's treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds – those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds – those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or securities issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement not exceed thirty days;
- d. Interim deposits in eligible institutions applying for interim funds;
- e. Bonds and other obligations of the State of Ohio;

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

3. CASH EQUIVALENTS-(Continued)

4. No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
5. The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Port Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, country, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including repurchase agreements) collateral held in single financial institutions agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits as follows:

Deposits:

- | | |
|------------|--|
| Category 1 | Insured or collateralized with securities held by the Port Authority or by its agent in the Port Authority's name. |
| Category 2 | Collateralized with securities held by the pledging financial institution's trust department or agent in the port Authority's name. |
| Category 3 | Uncollateralized. (This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not the Port Authority's name.) |

Deposits:

At year end the carrying amount of the Port Authority's deposits were \$2,803,019 and the bank balance was \$2,808,394.

1. \$416,337 was covered by Federal Depository Insurance.

\$2,392,057 was uninsured and collateralized as defined by the GASB because the collateral pledged by the financial institution or their trust departments or agents was not in the Port Authority's name due to the fact that the pledging bank has an investments and securities pool used to collateralize all public funds. This method of collateralization is authorized by state statute.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

4. FIXED ASSETS

Proprietary Fixed Assets

Summary by Category at December 31, 2000:

Category	Historic Cost	Accumulated Depreciation	Book Value
Buildings	\$3,700,024	\$1,115,981	\$2,584,043
Furniture & Fixtures	47,122	20,830	26,292
Land	1,471,869	0	1,471,869
Land Improvements	1,757,385	865,703	891,682
M & B	11,735	1,993	9,742
Signage	9,669	1,792	7,877
Total	<u>\$6,997,804</u>	<u>\$2,006,299</u>	<u>\$4,991,505</u>

5. LONG TERM DEBT AND OTHER OBLIGATIONS

Long-term debt consists of the following:

Long-term note payable -	
Ohio Department of Transportation	\$623,000
Ohio Department of Development	435,565
Compensated Absences	<u>33,131</u>
Total Long-term debt	<u>\$1,091,696</u>

The amount payable to the Department of Transportation of \$623,000 is presently being negotiated between the Port and the Department. A schedule for this payment is currently not available.

The Port Authority obtained a five-year note from the Ohio Department of Development in the amount of \$698,265 on November 12, 1998. Payments are to be made monthly in the amount of \$12,860 interest at 4% per annum plus a monthly service fee equal to 1/12 of ¼ of 1% of the principal balance.

A summary of the annual repayments including principal, interest, fees is as follows:

Year Ending December 31	Amount
2000	\$154,315
2001	154,315
2002	154,316
Totals	<u>\$462,946</u>

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

6. PUBLIC EMPLOYEES RETIREMENT SYSTEM

All Port Authority full-time employees, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2000 was 8.5 percent for employees. The PERS Retirement Board instituted a temporary employer rate rollback for calendar year 2000. The rate rollback was 20% for local government subdivisions. The employer contribution rate for employees was 10.84 percent of covered payroll; 6.54 percent was the portion used to fund pension obligations for 2000. The Port Authority's contributions for pension obligations to the PERS for the years ended December 31, 2000, 1999, and 1998 were \$29,741, \$30,024 and \$27, 385, respectively; 100 percent has been contributed for 2000 and 1999 and 1998.

7. POST EMPLOYMENT BENEFITS

PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. The 2000 employer contribution rate for local government employers was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The Port Authority's contribution actually made to fund post employment benefits was \$25,709.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

As of December 31, 1999 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively, at December 31, 1999 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 1999 (the latest information available) was 401,339.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

7. POST EMPLOYMENT BENEFITS - (Continued)

During 2000, the PERS Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The Board reallocated employer contributions from 4.20 percent to 4.30 percent at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 2000, Comprehensive Annual Financial Report.

8. OTHER EMPLOYEE BENEFITS

Compensated Absences

All full-time Port Authority employees earn sick leave at a rate of 1.25 days per calendar month of active services. Upon retirement under the PERS System of Ohio, or upon termination in good standing after ten years of continuous service with the Port Authority, and employee shall be compensated for a percentage of the total accumulated unused sick leave for which the monetary compensation is the hourly rate of compensation of the employee at the time of retirement or termination.

The Port Authority provides a liability for accumulated unpaid compensated absences when earned by employees. The amount payable in the enterprise fund as of December 31, 2000 was \$33,131.

9. RISK MANAGEMENT

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.

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

- Comprehensive Property and general liability
- Errors and omissions
- General liability and casualty

Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Worker's compensation claims are covered through the Port Authority's participation in the state of Ohio's program. The Port Authority pays the State Worker's Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The Port Authority also provides health insurance, dental and vision coverage to full-time employees through the Columbiana County Employees Self-Insurance Fund.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

10. RECEIVABLES

Total accounts receivable for 2000 are \$344,663. Trade Accounts Receivable of \$199,371 with allowance for doubtful accounts on these receivables amounts to (\$5,000) and grants receivables of \$150,292.

11. ADVANCE RENT PAYABLE-RAILROAD DEPOSIT

The Port Authority has a railroad deposit of \$200,000 listed as a liability, which is comprised of four companies assisting the Port with the purchase of Y & S Railroad. The Port Authority will only be liable for this amount if the railroad could not become operatable. The participants have treated this expenditure as a one-time license fee.

12. CONDUIT DEBT

GASB Statement No.2 requires certain note disclosures about conduit debt obligations. Sec. 808 summarizes the definition of and disclosure requirements for conduit debt. As of the date of the financial statements the Columbiana County Port Authority had no industrial revenue bonds outstanding in the form of financial assistance.

13. SUBSEQUENT EVENTS

The Port Authority finalized the purchase of the Y & S Railroad on January 23, 2001 for \$1,022,868.

The Port Authority finalized the purchase of the Ferro Building in the east end of East Liverpool on April 5, 2001 for \$250,000.

The Port Authority finalized the purchase of the J.C. Penney Building in East Liverpool from Sky Bank and the related lease back arrangement on April 26, 2001 for \$3,140,610.

COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER, 31, 2000

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>FEDERAL HIGHWAY ADMINISTRATION</u>				
<i>Passed Through Ohio Department of Transportation:</i>				
Highway Planning and Construction	19345	20.205	\$460,095	\$460,095
Total Federal Assistance			<u>\$460,095</u>	<u>\$460,095</u>

The accompanying note to this schedule is an integral part of this schedule.

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2000**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Port Authority's federal award programs. The schedule has been prepared on the cash basis of accounting.



STATE OF OHIO
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Columbiana County Port Authority
1250 St. George Street
East Liverpool, Ohio 43920-3400

We have audited the financial statements of Columbiana County Port Authority (the Port Authority), as of and for the years ended December 31, 2000, and have issued our report thereon dated June 6, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-61215-001. We also noted certain immaterial instances of noncompliance that we have reported to the Port Authority's management in a separate letter dated June 6, 2001.

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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Port Authority in a separate letter dated June 6, 2001.

This report is intended for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Jim Petro
Auditor of State

June 6, 2001



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Columbiana County Port Authority
1250 St. George Street
East Liverpool, Ohio 43020-3400

Compliance

We have audited the compliance of Columbiana County Port Authority (the Port Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2000. The Port Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Port Authority's management. Our responsibility is to express an opinion on the Port Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Port Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Port Authority's compliance with those requirements.

In our opinion, the Port Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2000.

Internal Control Over Compliance

The management of the Port Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Port Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 6, 2001

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**COLUMBIANA COUNTY PORT AUTHORITY
COLUMBIANA COUNTY
DECEMBER 31, 2000**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 20.205 Highway Planning and Construction
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: N/A
(d)(1)(ix)	Low Risk Auditee?	No

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

COLUMBIANA COUNTY PORT AUTHORITY

**COLUMBIANA COUNTY
DECEMBER 31, 2000**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2000-61215-001	
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Budgetary Process: Ohio Revised Code, Chapter 5705 (B) (2) (a), (b) and (c)(Sections 28, 36, 38, 40, 41, 43, 44 and 45):

As of June 8, 2000, Ohio Revised Code Section 5705.28 (B)(2)(a), (b) and (c), provides the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include estimate receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year (28). The taxing authority should have a certificate of available revenues which would include the revenues from all sources (budgeted receipts) plus unencumbered cash as of January 1 (36). The taxing authority should revise these estimates as it identifies significant variances in the amount of budgeted receipts as compared with actual receipts. (36) The taxing authority should approve appropriation measures and subsequent amendments. (38) Appropriations may not exceed budgeted receipts.(39) Budgetary expenditures (that is, disbursement and encumbrances) may not exceed appropriations at the legal level of control.(41) Unencumbered appropriations lapse at year end. Appropriations should be reserved (encumbered) when individual commitments are made. Encumbrances outstanding at year end should either be carried over, and need not be re-appropriated, or should be canceled, and re-appropriated in the subsequent year.

Prior to the June 8, 2000, - amendment of Ohio Revised Code Section 5705.28, the requirements were essentially the same however certain documents were required to be submitted to the County Budget Commission for approvals.(1999 Op. Atty. Gen. No. 99-020)

During fiscal year 2000 the Columbiana County Port Authority had not complied with the budgetary requirements as defined in the preceding paragraphs.

We recommend that the Port Authority implement policies and procedures to ensure that the Port Authority and Board of Directors follow Ohio Revised Code, Chapter 5705 (Sections 28,36,40,41,44,and 45).

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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OFFICE OF THE AUDITOR

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COLUMBIANA COUNTY PORT AUTHORITY

COLUMBIANA 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
JULY 24, 2001**