



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Directors:

We have audited the accompanying general-purpose financial statements of the Columbiana Port Authority (the Port Authority) as of and for the year ended December 31, 2001. 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 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 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, 2001, and the results of its operations and the cash flows of its proprietary fund 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 April 19, 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.

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.

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". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

April 19, 2002

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

**BALANCE SHEET
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

ASSETS:

Equity in pooled cash and cash equivalents	\$2,318,410
Receivables (net of allowances of uncollectibles)	588,131
Prepaid : Insurance and worker's compensation deposit	21,800
Property, plant and equipment (net of accumulated depreciation where applicable)	9,682,639
Construction in progress	<u>4,354,825</u>

Total Assets

\$16,965,805

LIABILITIES AND EQUITY

LIABILITIES:

Accounts payable	\$789,286
Accrued interest	8,078
Accrued wages and benefits	12,185
Compensated absences	46,715
Loan payable	<u>5,116,579</u>

Total Liabilities

\$5,972,843

EQUITY:

Total retained earnings	10,992,962
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Total Liabilities and Equity

\$16,965,805

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

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

OPERATING REVENUES:	<u>ENTERPRISE</u>
Rent	\$1,220,301
Grants	1,696,594
Miscellaneous	<u>431,616</u>
Total Operating Revenues	<u>3,348,511</u>
OPERATING EXPENSES:	
Non payroll expenditures	1,000,593
Payroll expenditures	395,816
Travel and entertainment	40,951
Depreciation	<u>298,505</u>
Total Operating Expenses	<u>1,735,865</u>
Operating Income/(Loss)	<u>1,612,646</u>
NON-OPERATING REVENUES:	
Net proceeds of sale of assets	25,000
Interest income	<u>109,235</u>
Total Non-Operating Revenues	134,235
Net Income	1,746,881
Retained earnings, January 1	<u>9,246,081</u>
Retained earnings, December 31	<u><u>\$10,992,962</u></u>

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

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>ENTERPRISE</u>
Cash flows from operating activities:	
Net income (loss)	\$1,746,881
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation	298,505
Losses (gains) on sales of decrease (increase) in operating assets:	
Accounts receivable	(243,469)
Other	(1,673,083)
Increase (decrease) in operating liabilities:	
Accounts payable	209,820
Accrued liabilities	<u>108,362</u>
Total adjustments	(1,299,865)
Net cash provided by operating activities:	447,016
Cash flows from financing activities:	
Purchase of fixed assets	(5,764,640)
Proceeds from sale of fixed assets	775,000
Notes payable borrowings	4,457,482
Notes payable repayments	<u>(399,467)</u>
Net cash (used in) financing activities:	<u>(931,625)</u>
Net decrease in cash and cash equivalents	(484,609)
Cash and cash equivalents at beginning of year	<u>2,803,019</u>
Cash and cash equivalents at end of year	<u><u>\$2,318,410</u></u>

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

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**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Columbiana 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 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:

	<u>Years</u>
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 2001 was \$298,505.

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

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

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.

Enterprise Fund

This fund is used to account for the 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 PORT AUTHORITY
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

F. Cash and Cash Equivalents

Certificates of deposit and business savings account 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 effect 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 withdraw (NOW) accounts.

Category 2 consist 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:

- United States treasury notes, bills, bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

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

3. CASH EQUIVALENTS (Continued)

- 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
- 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.

Deposits:

At year end the carrying amount of the Port Authority's deposits were \$ 2,318,410 and the bank balance was \$ 2,323,371.

1. \$ 426,761 was covered by Federal Depository Insurance.
2. \$ 1,896,610 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.

4. FIXED ASSETS

Proprietary Fixed Assets

Summary by Category at December 31, 2001:

<u>Category</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Autos	\$20,363	\$2,424	\$17,939
Building	7,174,364	1,323,187	5,851,177
Furniture & Fixtures	62,955	28,161	34,794
Land	1,471,870	0	1,471,870
Land Improvements	1,758,810	925,661	833,149
Railroad	1,477,680	19,507	1,458,173
M & E	11,735	3,342	8,393
Signage	9,669	2,525	7,144
Total	<u>\$11,987,446</u>	<u>\$2,304,807</u>	<u>\$9,682,639</u>

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

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

5. LONG TERM DEBT AND OTHER OBLIGATIONS

Long-term debt consists of the following:

	Principal
Mitsubishi - Ohio Department of Development	\$363,977
Rail Road - National City Bank	975,415
Ferro Building - National City Bank	222,316
Ohio Department of Transportation	623,000
Sky Bank Building - CIC Loan	106,641
Sky Bank Building - CDBG Economic Dev.	87,414
Sky Bank Building - Sky Bank Loan	1,049,666
Sky Bank Building - Sky Bank Loan	713,880
Sky Bank Building - Ohio Dept. of Dev.	974,270
Total	\$5,116,579

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.

The Port obtained a twenty-year note from National City Bank in the Amount of \$995,000 on January 23, 2001. Payments are to be made monthly in the amount of \$8,482, which includes interest.

The Port obtained a five-year note from National City Bank in the amount of \$250,000 on April 5, 2001. Payments are to be made monthly in the amount of \$5,063.12, which includes monthly interest.

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

The Port obtained five loans from various sources listed below in the amount of \$3,013,063 on April 26, 2001. Payments are made monthly based upon schedule listed below, which includes monthly interest:

	Loan Amount	Payment
CIC Loan	\$110,000	848
CDBG Loan	90,000	666
Sky Bank Loan	1,065,080	8,652
Sky Bank Loan	747,983	8,922
Ohio Department of Development	1,000,000	7,397
Total	\$3,013,063	

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

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

5. LONG TERM DEBT AND OTHER OBLIGATIONS (Continued)

The Ohio Department of Development debt has 179 consecutive installments of \$7,396.88 plus a service fee of 1/12 of 3/4 of 1% on the outstanding principal balance, which are due by Automatic Debit on or near the 10th of each month, beginning July, 2001. The 180th and final payment, due June 2016, will be \$7,396.75 plus a service fee of \$1.54.

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

Year Ending December 31	Amount
2002	\$382,744
2003	406,099
2004	235,432
2005	252,527
2006	228,791
Total	\$1,505,593

6. DEFINED BENEFIT PENSION PLANS

Pension Benefit Obligation

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 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2001 employer contribution rate for local government employer units was 13.55%, of covered payroll 8.44% to fund the pension benefit obligation and 5.11% to fund health care. The Port Authority's contributions for pension obligations to the PERS for the years ending December 31, 2001, 2000 and 1999 were \$35,016, \$29,741 and \$30,024, respectively, which were equal to the required contributions for each year 2001, 2000 and 1999.

Post Employment Benefits

PERS provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients is also 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 the 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 that was used to fund health care for the year was 4.30% of covered payroll.

Other Post-employment Benefits (OPEB) are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

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

6. DEFINED BENEFIT PENSION PLANS (Continued)

investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for the other post-employment benefits during 2001 were as of December 31, 2001, the unaudited estimated net assets available for future OPEB payments were \$ 11,735.9 (million). The number of benefit recipients eligible for OPEB at December 31, 2001 was 411,076.

7. 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, 2001 \$46,715.

8. 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.

9. RECEIVABLES

Total accounts receivable for 2001 are \$597,131. Trade Accounts Receivable of \$53,548 with doubt full accounts on these receivables amounts to (\$9,000) and grants receivables of \$543,583.

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

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

10. ADVANCE RENT PAYABLE-RAILROAD DEPOSIT

The Port Authority has a railroad deposit of \$297,103 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 operable. The participants have treated this expenditure as a one-time license fee.

11. 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.

12. BUDGETARY ANALYSIS

The Port Authority did not establish an estimate of receipts or adopt appropriations or otherwise follow the budgetary system required and accordingly Ohio Revised Code, Chapter 5705 (B) (2) (a), (b) and (c) (Sections 28, 36, 38, 40, 41, 43, 44 and 45) was cited.

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>FEDERAL HIGHWAY ADMINISTRATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	19345	20.205	\$94,359
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Economic Development Administration Grant for Public Works and Infrastructure Development	06-01-04450	11.300	\$650,312
Total			<u><u>\$744,671</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2001**

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
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Directors:

We have audited the accompanying financial statements of the Columbiana Port Authority (the Port Authority) as of and for the year ended December 31, 2001, and have issued our report thereon dated April 19, 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 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 2001-61215-001. We also noted a immaterial instance of noncompliance that we have reported to management of the Port Authority in a separate letter dated April 19, 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 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 April 19, 2002.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

April 19, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS 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 Port Authority
1250 St. George Street
East Liverpool, Ohio 43020-3400

Compliance

We have audited the compliance of Columbiana 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, 2001. 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, 2001.

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

Columbiana Port Authority
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with OMB Circular A-133
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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 audit committee, management, Board of Directors, 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 or State

April 19, 2001

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

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(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# 11.300 Economic Development Administration Grant for Public Works and Infrastructure Development
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	2001-61215-001
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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 an estimate of 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 as stated in ORC 5705.28. 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 as states in ORC 5705.36. The taxing authority should revise these estimates as it identifies significant variance in the amount of budgeted receipts as compared with actual receipts. ORC 5705.36 states the taxing authority should approve appropriation measures and subsequent amendments. ORC 5705.38 states appropriations may not exceed budgeted receipts. ORC 5705.39 states budgetary expenditures (that is, disbursement and encumbrances) may not exceed appropriations at the legal level of control. ORC 5705.41 states 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 2001 the Columbiana County Port Authority had not complied with the budgetary requirements as defined in the preceding paragraphs. The Port Authority did not establish an estimate of receipts or adopt appropriations or otherwise follow the budgetary system required..

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

None

**COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-61215-001	ORC, Chapter 5705 (B) (2) (a), (b) and (c)(Section 28, 36, 38, 40, 41, 43, 44 and 45)	No	Not Corrected



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OFFICE OF THE AUDITOR

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COLUMBIANA 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 2, 2002**