



**Auditor of State
Betty Montgomery**

**PORT AUTHORITY
ALLEN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Port Authority
Allen County
Perry Building, Suite 305
545 West Market Street
Lima, Ohio 45801

To the Board of Directors:

We have audited the accompanying financial statements of the Port Authority, Allen County, (the Authority), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Authority as of December 31, 2002 and 2001, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2003, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 22, 2003

**PORT AUTHORITY
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
Cash Receipts:	
Lease Revenue	\$156,000
Lease to Purchase	392,502
Railroad Rent	1,980
Principal Receipts from Loans	19,594
Interest Income from Loans	365
Bank Interest Income	7,174
Other Receipts	100
Total Cash Receipts	577,715
Cash Disbursements:	
Current:	
Interest Payment on Debt	145,366
Principal Expense on Debt	366,909
Property Taxes	1,272
Technical Assistance	5,260
Miscellaneous	5,421
Dues	150
Railroad Repair	4,000
Total Cash Disbursements	528,378
Total Receipts Over/(Under) Disbursements	49,337
Other Receipts/Disbursements	
Grants/Loans	(123,075)
Total Other Disbursements	(123,075)
Total Receipts and Other Receipts Over/(Under) Cash Disbursements and Other Disbursements	(73,738)
Fund Cash Balance, January 1, 2002	516,228
Fund Cash Balance, December 31, 2002	\$442,490

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

**PORT AUTHORITY
ALLEN COUNTY**

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

	<u>Proprietary Fund Type</u>
Cash Receipts:	
Lease Receipts	\$156,000
Railroad Rent	1,980
Principal Receipts from Loans	43,381
Interest Income from Loans	26,418
Bank Interest Income	15,941
Other Receipts	<u>58,225</u>
 Total Cash Receipts	 <u>301,945</u>
Cash Disbursements:	
Current:	
Interest Payment on Debt	80,065
Principal Expense on Debt	43,344
Property Taxes	1,034
Technical Assistance	7,392
Miscellaneous	1,011
Dues	150
Railroad Repair	49,824
Audit	<u>4,076</u>
 Total Cash Disbursements	 <u>186,896</u>
 Total Receipts Over/(Under) Disbursements	 <u>115,049</u>
Other Receipts/Disbursements	
Grants/Loans	<u>(103,814)</u>
Total Other Disbursements	<u>(103,814)</u>
 Total Receipts and Other Receipts Over/(Under) Cash Disbursements and Other Disbursements	 11,235
 Fund Cash Balance, January 1, 2001	 <u>504,993</u>
 Fund Cash Balance, December 31, 2001	 <u><u>\$516,228</u></u>

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

**PORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Port Authority, Allen County, (the Authority) was created pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution and research and development interests of Allen County including rendering financial and other assistance to such enterprises situated in Allen County and to induce the location in Allen County of other manufacturing, commerce, distribution and research entities; to purchase, subdivide, sell and lease real property in Allen County and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Allen County.

The Port Authority Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Allen County Commissioners. Currently, seven Directors serve on the Board.

The Authority believes these financial statements present all activities for which the Authority is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when made.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Authority's funds are held in checking and savings accounts and repurchase agreements.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Port Authority has created a single type of fund and a single fund within that type. This fund accounts for the resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. The fund type which the Port Authority uses is described below:

Proprietary Fund Type

This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the Port Authority is an Enterprise Fund.

**PORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Fund – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

E. Budgetary Process

The Ohio Revised Code requires that the fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations and appropriations may not exceed estimated resources. Appropriations include current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made. The Authority did not use the encumbrance method of accounting.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Demand deposits	\$268,156	\$202,735
Repurchase Agreements	174,334	313,493
Total	<u>\$442,490</u>	<u>\$516,228</u>

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

Investments: Repurchase agreements are held in the name of the Authority's financial institution. The financial institution maintains records identifying the Authority as owner of these securities.

**PORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$170,696	\$577,715	\$407,019
2002 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$84,255	\$651,453	(\$567,198)
2001 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$176,130	\$301,945	\$125,815
2001 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$92,455	\$290,710	(\$198,255)

The Authority budgets for its internal operating activities only; however, the principal and interest payments that flow through the Authority, as the agent for the debt instruments, are reported within the financial statements which accounts for the significant variances between budgeted and actual.

4. RISK MANAGEMENT

The Authority has obtained commercial insurance for the risks for comprehensive property and general liability and public employee dishonesty.

5. GRANTS

In 2002, the Authority allocated a \$50,000 Economic Development Grant to the City of Delphos and a \$73,075 Community Development Block Grant to the Allen County Commissioners. In 2001, an infrastructure grant was granted to the City of Delphos for \$86,814. These grants were awarded to promote economic development.

6. LOAN GUARANTEE FUNDS

On July 2, 1997, the Authority entered into a Micro Enterprise Loan Guaranty Agreement Program with Huntington Bank whereas the parties intend for Huntington Bank to make and the Authority to guarantee a certain percentage of loans to small business concerns. The balance of loan guarantee funds at December 31, 2002 and 2001 is \$103,176 and \$161,182, respectively.

**PORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. REVOLVING LOANS

The Authority receives periodic loan repayments from companies awarded loans under the revolving loan program. The loan receivable activity and cash balances available for loans under the revolving loan program for the years 2002 and 2001 are as follows:

Small Business Revolving Loans	2002 Loans Receivable	2002 Cash Balances	2001 Loans Receivable	2001 Cash Balances
Beginning Balance	\$111,201	\$312,315	\$140,369	\$370,822
Loan Repayment Receipts	(2,430)	4,965	(29,168)	40,194
Loan Disbursements	<u>0</u>	<u>(129,931)</u>	<u>0</u>	<u>(98,701)</u>
Ending Balance	<u>\$108,771</u>	<u>\$187,349</u>	<u>\$111,201</u>	<u>\$312,315</u>

The following companies comprised the revolving loans at December 31, 2002 and 2001:

Loans Receivable	January 1, 2001 Balance	Principal Received	January 1, 2002 Balance	Principal Received	December 31, 2002 Balance
Brothers Four	\$13,454	\$0	\$13,454	\$0	\$13,454
Alloy Eng. Pdts	31,598	29,168	2,430	2,430	0
Kitchen Table	83,550	0	83,550	0	83,550
Pet Rest	11,767	0	11,767	0	11,767
Total	<u>\$ 140,369</u>	<u>\$ 29,168</u>	<u>\$ 111,201</u>	<u>\$ 2,430</u>	<u>\$ 108,771</u>

The Port Authority is in the process of writing off the following loans: Brothers Four, Kitchen Table, and Pet Rest. These loans are considered uncollectible.

8. LOCAL DEVELOPMENT LOANS

The Authority receives periodic loan repayments from companies awarded small business loans with local funds. The loans at December 31, 2002 and 2001 are as follows:

Loans Receivable	January 1 2001 Balance	Loans Granted	Principal Received	January 1 2002 Balance	Loans Granted	Principal Received	December 31 2002 Balance
Lima Growth Association	\$200,000	\$0	\$0	\$200,000	\$0	\$0	\$200,000
Allen County Development Corporation	30,800	17,000	9,625	38,175	0	0	38,175
Sports Unlimited	<u>21,752</u>	<u>0</u>	<u>4,588</u>	<u>17,164</u>	<u>0</u>	<u>17,164</u>	<u>0</u>
Total	<u>\$252,552</u>	<u>\$17,000</u>	<u>\$14,213</u>	<u>\$255,339</u>	<u>\$0</u>	<u>\$17,164</u>	<u>\$238,175</u>

**PORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

9. RAILWAY LEASE

The Authority holds approximately 44 percent interest in a railway which it leases to a private railroad company. Monthly rentals are \$165 and the lease, which commenced in November, 1983, is for five years with one year renewal options. The lease is currently on a month to month basis with a 30-day notice clause.

10. OPERATING-TYPE LEASE

In February 1997, the Port Authority leased land and building to AP Products for 7 years and 4 months. This lease was effective September 1, 1997 and terminates January 31, 2004. In February 2000, the lease was assigned by AP Products and assumed by David L. Kriegel. This lease requires the lessee to remit monthly payments of \$13,000 on the first day of the each month. The lease payment was fixed for the first 42 months at \$156,000 per year.

On the first day of the fifth (5th), sixth (6th), seventh (7th), and eighth (8th) years, the lease rental payments may be increased in the same proportion as the Consumer Price Index for Urban Wage Earners and Clerical Workers.

11. MARKET STREET PROPERTY

In 1998, the Allen County Commissioners donated land to the Port Authority, which is leased to Allen County Properties. This lease is for 99 years at \$1.00 per year.

12. LEASE PURCHASE AGREEMENT

In 2002, the Port Authority authorized the lease purchase of land to provide permanent financing for a new high school complex for the Lima City School District. The financing was through Bank One in the amount of \$3,500,000, for a term of 5 years, with an interest rate of 4.28 percent. The Port Authority holds the deed to the properties. The Port Authority is required to show the revenue and debt payment activity on the financial statements.

13. LONG-TERM DEBT

Lima Area Development Corporation (LADCO)

There is no interest charge and payments are to be made solely from lot sales of the properties. The note for Loan A was due August, 1992 and has not been extended or rewritten, and the note for Loan B was due July 1993 and has not been extended or rewritten.

	Outstanding January 1, 2001	Issued	Retired	Outstanding January 1, 2002	Issued	Retired	Outstanding December 31, 2002
A	\$ 85,321	\$ 0	\$ 0	\$ 85,321	\$ 0	\$ 0	\$ 85,321
B	63,114	0	0	63,114	0	0	63,114
Total	<u>\$148,435</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$148,435</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$148,435</u>

The Authority is still in the process of attempting to sell the properties, and the Allen County Prosecutor's office is in the process of negotiating an extension of the agreement.

**PORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

13. LONG TERM DEBT (Continued)

On June 28, 1995, the Allen County Commissioners loaned the Port Authority \$165,559 at zero percent interest. Repayment of this loan is required when the A.P. Products lease agreement is satisfied. On June 3, 1997, the Allen County Commissioners loaned the Port Authority \$240,000 at zero percent interest. This loan was used to lend \$150,000 to A.P. Products to fund the structural improvement of the A.P. building. The remaining \$90,000 was used towards the purchase price of the A.P. Products property. Repayment of this loan is required when the A.P. Products property is sold.

On July 21, 1998, the Allen County Commissioners loaned the Port Authority \$50,000 at zero percent interest. The loan was used for economic development purposes in the form of a loan to the Lima Growth Association for the development of infrastructure on property included in an industrial park. This loan shall become due and payable upon sale of the property, but not later than three years of the date of the loan. During 2001, this loan was extended for an additional three years.

In July 1999, the Allen County Commissioners loaned the Port Authority \$8,800 at zero percent interest. This loan was used to lend \$8,800 to Allen County Development Corporation. Repayment of this loan to the Commissioners is required in full when received from Allen County Development Corporation.

Outstanding January 1, 2001	Issued	Retired	Outstanding January 1, 2002	Issued	Retired	Outstanding December 31, 2002
<u>\$464,359</u>	<u>\$0</u>	<u>\$0</u>	<u>\$464,359</u>	<u>\$0</u>	<u>\$0</u>	<u>\$464,359</u>

The Port Authority issued economic development revenue bonds on August 21, 1997, with a maturity date of September 1, 2005, in the amount of \$992,000 with an interest rate of 9.375 percent. The interest rate decreased to 6.5 percent September 1, 2002. The bonds were issued for the purpose of financing costs for the acquisition and installation of a commercial facility to be leased to A.P. Products. The bonds payable activity in the years 2002 and 2001 is as follows:

Outstanding January 1, 2001	Issued	Retired	Outstanding January 1, 2002	Issued	Retired	Outstanding December 31, 2002
<u>\$876,985</u>	<u>\$0</u>	<u>\$43,344</u>	<u>\$833,641</u>	<u>\$0</u>	<u>\$49,307</u>	<u>\$784,334</u>

Railroad Lease Deposit

The Spencerville-Elgin Railroad made a security deposit with the Port Authority in the amount of \$167,200, which shall be returned to the Railroad upon termination of the lease agreement. This lease agreement is further explained in Note 8 to the financial statements.

**PORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

13. LONG TERM DEBT (Continued)

Amortization Schedule

The annual requirements to amortize the bond debt outstanding at December 31, 2002 and 2001, including interest payments are as follows:

Year Ending December 31	Bonds
2003	\$ 108,867
2004	108,867
2005	<u>843,720</u>
Totals	<u>\$1,061,454</u>

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**Auditor of State
Betty Montgomery**

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

Port Authority
Allen County
Perry Building, Suite 305
545 West Market Street
Lima, Ohio 45801

To the Board of Directors:

We have audited the accompanying financial statements of the Port Authority, Allen County, (the Authority), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 22, 2003. 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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Authority in a separate letter dated April 22, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 Authority in a separate letter dated April 22, 2003.

Port Authority
Allen County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 22, 2003



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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ALLEN COUNTY PORT AUTHORITY

ALLEN 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
MAY 20, 2003**