



Auditor of State
Betty Montgomery

STARK COUNTY PORT AUTHORITY
STARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance - Proprietary Fund Type For the Year Ended December 31, 2002.....	3
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2003 on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of 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

March 26, 2003

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

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

Operating Cash Disbursements:	
Contractual Services	\$107,726
Insurance	7,231
Legal	94,933
Miscellaneous	3,727
	<hr/>
Total Cash Disbursements	213,617
	<hr/>
Non-Operating Cash Receipts/(Disbursements):	
Intergovernmental	25,000
Investment Income	12,798
Other	4,141
Interest and Fiscal Charges	(3,250)
Debt Service	(50,000)
	<hr/>
Total Non-Operating Cash Receipts	(11,311)
	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(224,928)
Cash Balances, January 1	1,044,328
	<hr/>
Cash Balances, December 31	<u><u>\$819,400</u></u>
Reserves for Encumbrances, December 31	<u><u>\$204,700</u></u>

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

This page intentionally left blank

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

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

B. Basis of Accounting

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

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

C. Fund Accounting

The Port Authority maintains an Enterprise Fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the Port Authority. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

D. Budgetary Process

Budget

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

Appropriations

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

Encumbrances

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

A summary of 2002 budgetary activity appears in Note 3.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. CASH

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2002 follows:

Demand deposits	\$717,489
Certificates of deposit	<u>101,911</u>
Total deposits	<u><u>\$819,400</u></u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$145,000	\$41,939	(\$103,061)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$483,085	\$471,567	\$11,518

4. DEBT

At December 31, 2002, debt outstanding totaled \$50,000 with the Community Improvement Corporation (CIC) with a 3% rate of interest.

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

Amortization of the debt, including interest, is \$51,500 and is scheduled to be paid in full by the end of the fiscal year ended December 31, 2003.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

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

4. DEBT (Continued)

Revenue Bonds

On February 11, 2002, the Port Authority authorized an issuance of variable rate revenue bonds dated February 1, 2002 in the amount of \$1,205,000. The Bonds were issued to assist the Canton Country Day School (the "Lessee") with financing and refinancing costs for the acquisition and construction of Port Authority Facilities. The proceeds will be used to pay "costs" of refinancing an existing loan incurred in connection with the expansion of the Lessee's existing building, building improvements and repairs, purchasing new school busses and vans and issuing the Bonds.

The Series 2002 Bonds were issued under and secured by the Trust Indenture, dated February 1, 2002 between the Port Authority and National City Bank (the "Trustee") and further secured by National City Bank's irrevocable direct pay letter of credit in favor of the Trustee. The Lessee will reimburse National City Bank (the "Bank") for drawings on the Letter of Credit under a Reimbursement Agreement, dated as of February 1, 2002, between the Lessee and the Bank.

5. RISK MANAGEMENT

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

- Public Officials liability, and
- Commercial crime.

6. CONTINGENT LIABILITIES

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

7. RELATED PARTY TRANSACTIONS

During 1997 and 1998, the Port Authority applied for and received loans through the Stark County CIC. The Stark Development Board (SDB) does the billing of these loans for the CIC and charges a service fee for this service to the entities receiving the loans. The Port Authority contracts with the SDB for administrative and management services. In 2002, the Port Authority paid SDB \$250 for servicing the loans. The 1997 loan was repaid in full during 2002.

8. INSURANCE PROCEEDS/CASH HELD IN ESCROW

On June 1, 2001, a building owned by the Port Authority was destroyed by fire. During 2001, the Port Authority received \$876,000 in insurance proceeds related to this claim. Additionally, \$95,000 of the insurance proceeds were remitted directly to the Lexington Township Fire Department to be held in escrow in accordance with Ohio Revised Code Section 3929.86. The proceeds will be held in a Demolition Escrow Fund until the site cleanup has been inspected at which time the funds will be forwarded to the Port Authority. The Port Authority is also involved in pending negotiations regarding the division of insurance proceeds from its previous tenant in connection with the leased building and improvements destroyed by fire.

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Directors:

We have audited the accompanying financial statements of the Stark County Port Authority, Stark County, (the Port Authority) as of and for the year ended December 31, 2002, and have issued our report thereon dated March 26, 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 Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted immaterial instances of noncompliance that we have reported to management of the Port Authority in a separate letter dated March 26, 2003.

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 another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Port Authority in a separate letter dated March 26, 2003.

Stark County Port Authority
Stark 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

March 26, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

STARK COUNTY PORT AUTHORITY

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2003**