**COLUMBIANA PORT AUTHORITY**
**COLUMBIANA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

Auditor of State
Betty Montgomery

**COLUMBIANA PORT AUTHORITY**
**COLUMBIANA COUNTY**

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**Auditor of State**
**Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT**

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 years ended December 31, 2003 and 2002. 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, 2003 and 2002, 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 May 31, 2005 on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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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.

**Betty Montgomery**
Auditor of State

May 31, 2005

**COLUMBIANA PORT AUTHORITY**
**COLUMBIANA COUNTY**

**BALANCE SHEET**
**PROPRIETARY FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2003**

| | Enterprise |
|---|---|
| **Assets:** | |
| Equity in pooled cash and cash equivalents | $876,558 |
| Account Receivable (net of allowance of uncollectibles) | 2,342,342 |
| Loan Receivable | 180,377 |
| Prepaid: Insurance, subscriptions, lease expense, worker's compensation deposit | 83,116 |
| Property, plant and equipment (net of accumulated depreciation where applicable) | 9,919,454 |
| Construction in progress | 4,976,139 |
| Total Assets | 18,377,986 |
| **Liabilities and Equity** | |
| **Liabilities:** | |
| Accounts Payable | 194,298 |
| Accrued Interest | 4,294 |
| Accrued wages and benefits | 9,240 |
| Compensated absences | 57,770 |
| Loans payable | 4,926,679 |
| Total Liabilities | 5,192,281 |
| **Equity:** | |
| Total retained earnings | 13,185,705 |
| **Total Liabilties and Equity** | $18,377,986 |

*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, 2003**

| | Enterprise |
|---|---|
| **Operating Revenues:** | |
| Rent | $1,216,209 |
| Grants | 519 |
| Miscellanous | 213,787 |
| Total Operating Revenues | 1,430,515 |
| **Operating Expenses:** | |
| Non payroll expenditures | 1,008,587 |
| Payroll expenditures | 341,399 |
| Travel and entertainment | 39,410 |
| Depreciation | 413,296 |
| Total Operating Expenses | 1,802,692 |
| Operating Income/(Loss) | (372,177) |
| **Non-Operating Cash Revenues:** | |
| Interest income | 14,794 |
| Total Non-Operating Revenues | 14,794 |
| Net Loss | (357,383) |
| Retained earnings, January 1 | 13,543,088 |
| **Retained earnings, December 31** | **$13,185,705** |

*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, 2003**

| | Enterprise |
|---|---|
| **Cash flows from operating activities:** | |
| Net income / (loss) | ($357,383) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | |
| Depreciation and amortization | 413,296 |
| Decrease / (increase) in operating assets: | |
| Accounts receivable | 70,533 |
| Other | (924,681) |
| Increase / (decrease) in operating liabilities: | |
| Accounts payable | (34,198) |
| Accrued liabilities | (5,680) |
| Total adjustments | (480,730) |
| Net cash provided by (used in) operating activities: | (838,113) |
| **Cash flows from investing activities:** | |
| Capital expenditures | (46,836) |
| Net cash provided by (used in) investing activities | (46,836) |
| **Cash flows from financing activities:** | |
| Notes payable borrowings | 795,271 |
| Notes payable repayments | (602,837) |
| Net cash provided by (used in) financing activities | 192,434 |
| Net increase (decrease) in cash and cash equivalents | (692,515) |
| Cash and cash equivalents at beginning of year | 1,569,073 |
| Cash and cash equivalents at end of year | 876,558 |

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

**COLUMBIANA PORT AUTHORITY**
**COLUMBIANA COUNTY**

**BALANCE SHEET**
**PROPRIETARY FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2002**

| | Enterprise |
|---|---|
| **Assets:** | |
| Equity in pooled cash and cash equivalents | $1,569,074 |
| Account receivable (net of allowance of uncollectibles) | 2,412,875 |
| Loan receivable | 50,000 |
| Prepaid: Insurance, worker's compensation deposit | 39,033 |
| Property, plant and equipment (net of accumulated depreciation where applicable) | 10,285,914 |
| Construction in progress | 4,225,917 |
| Total Assets | 18,582,813 |
| **Liabilities and Equity** | |
| **Liabilities:** | |
| Accounts payable | 237,774 |
| Accrued interest | 3,050 |
| Accrued wages and benefits | 11,112 |
| Compensated absences | 53,544 |
| Loans payable | 4,734,245 |
| Total Liabilities | 5,039,725 |
| **Equity:** | |
| Total retained earnings | 13,543,088 |
| **Total Liabilties and Equity** | **$18,582,813** |

*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, 2002

| | Enterprise |
|---|---|
| **Operating Revenues:** | |
| Rent | $1,419,497 |
| Grants | 2,837,455 |
| Miscellanous | 380,214 |
| Total Operating Revenues | 4,637,166 |
| **Operating Expenses:** | |
| Non payroll expenditures | 1,348,765 |
| Payroll expenditures | 341,040 |
| Travel and entertainment | 46,192 |
| Depreciation | 384,175 |
| Total Operating Expenses | 2,120,172 |
| Operating Income | 2,516,994 |
| **Non-Operating Revenues:** | |
| Interest income | 33,132 |
| Total Non-Operating Revenues | 33,132 |
| Net Income | 2,550,126 |
| Retained earnings, January 1 | 10,992,962 |
| **Retained earnings, December 31** | **$13,543,088** |

*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, 2002**

| | Enterprise |
|---|---|
| **Cash flows from operating activities:** | |
| Net income | $2,550,126 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | |
| Depreciation and amortization | 384,175 |
| Decrease (increase) in operating assets: | |
| Accounts receivable | (1,824,743) |
| Other | 61,675 |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | (258,129) |
| Accrued liabilities | (292,656) |
| Total adjustments | (1,929,678) |
| Net cash provided by (used in) operating activities: | 620,448 |
| **Cash flows from investing activities:** | |
| Capital expenditures | (987,450) |
| Net cash provided by (used in) investing activities | (987,450) |
| **Cash flows from financing activities:** | |
| Notes payable borrowings | 268,481 |
| Notes payable repayments | (650,815) |
| Net cash provided by (used in) financing activities | (382,334) |
| Net (decrease) in cash and cash equivalents | (749,336) |
| Cash and cash equivalents at beginning of year | 2,318,410 |
| Cash and cash equivalents at end of year | 1,569,074 |

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Columbiana Port Authority is presented to assist in understanding the entities financial statements. The financial statement 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 and 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 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 2003 and 2002 was $413,296 and $384,175.

## 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.

**Enterprise Fund**

This fund is 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### F. Cash and Cash Equivalents

Certificates of deposit 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 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;
- 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).

## 3. CASH EQUIVALENTS (Continued)

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:

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:**

As of December 31, 2003 the carrying amount of the Port Authority's deposits were $876,558 and the bank balance was $1,453,376.

1. $ 480,541 was covered by Federal Depository Insurance.

2. $ 972,835 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. LOAN RECEIVABLES AGREEMENT

The Port Authority has entered into an agreement to loan Central Columbiana & Pennsylvania Railroad (CCP&R) $200,000 for 36 months at 3% interest rate. For the first six months, January 1, 2003 to June 1, 2003, only interest will be paid ($466.66 per month). Starting July 1st of 2003, payment of $6,886.16 per month will be made for thirty months. As of December 31, 2002 the CCP&R had only drawn $50,000 and as of December 31, 2003 the balance was $180,377. Once the full $200,000 is drawn repayment will begin with dates adjusted in accordance with the original terms.

## 5. FIXED ASSETS

Proprietary Fixed Assets

Summary by Category at December 31, 2003:

| Category | Historic Cost | Accumulated Depreciation | Book Value |
|---|---|---|---|
| Autos | $20,363 | $8,242 | $12,121 |
| Buildings | 7,225,382 | 1,815,874 | 5,409,508 |
| Furniture & Fixtures | 66,814 | 41,239 | 25,575 |
| Land | 1,471,870 | 0 | 1,471,870 |
| Land Improvements | 1,770,811 | 1,046,472 | 724,339 |
| M & E | 16,435 | 7,214 | 9,221 |
| Signage | 9,669 | 3,989 | 5,680 |
| Railroad | 2,440,388 | 179,248 | 2,261,140 |
| Total | $13,021,732 | $3,102,278 | $9,919,454 |

## 6. LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt consists of the following:

| | | Principal |
|---|---|---|
| Mitsubishi - Ohio Department of Development | | $98,992 |
| Rail Road - National City Bank | | 874,766 |
| Ferro Building - National City Bank | | 129,642 |
| Wellsville Intermodal Industrial Park - ODOT | | 623,000 |
| Sky Bank Building - CIC Loan | | 96,041 |
| Sky Bank Building - CDBG Economic Development | | 72,423 |
| Sky Bank Building - Sky Bank Loan | | 998,203 |
| Sky Bank Building - Sky Bank Loan | | 600,405 |
| Sky Bank Building - Ohio Dept. of Development | | 872,014 |
| Total | | $4,365,486 |
| Rail Road Improvement 1st drawn | $561,193 | |

The Port obtained a five-year note from the Ohio Department of Development in the amount of $698,265 on November 12, 1998. Monthly payments are made totaling $12,860 with 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. Monthly payments are made totaling $8,482, which includes interest at 7.95%.

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 at 7.95%.

The Port Authority obtained a loan from the Ohio Department of Transportation in the amount of $623,000 for the construction and renovation of the Wellsville boat ramp. No reimbursements have been made on this loan.

## 6. LONG-TERM DEBT (Continued)

The Port obtained five loans from various sources listed below in the amount of $3,013,790 on April 26, 2001. Payments are made monthly based upon the schedule listed on the next page, which includes monthly interest:

| | Loan Amount | Payment | Interest Rate |
|---|---|---|---|
| CIC Loan | $110,000 | $848 | 4.00% |
| CDBG Loan | 90,000 | 666 | 4.00% |
| Sky Bank Loan | 1,065,080 | 8,652 | 7.59% |
| Sky Bank Loan | 747,983 | 8,922 | 7.59% |
| Ohio Department of Development | 1,000,000 | 7,397 | 4.00% |
| Total | $3,013,063 | $26,485 | |

The Ohio Department of Development debt has 179 consecutive installments of $7,396.88 plus a service fee of 1/12 of ¾ of 1% on the outstanding principal balance, which is due by Automatic Debit on or near the 10th of each month, beginning July, 2001. The 180th and final payment, due June 2016, is $7,396.75 plus a service fee of $1.54.

The Ohio Rail Development Commission is a 2.1 million loan for improvement to the CC&P Line. The first draw on the loan occurred in December 2003. The remaining balance will be drawn as work is completed. Loan repayment is scheduled to begin February 1, 2005. The following interest rate schedule applies and monthly payment:

| | Interest Rate | Monthly Payment |
|---|---|---|
| 2004 | 0.00% | $0 |
| 2005 | 0.00% | 35,000 |
| 2006 | 1.00% | 35,719 |
| 2007 | 1.00% | 35,719 |
| 2008 | 2.50% | 36,278 |
| 2009 | 2.50% | $36,278 |

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

| Year Ending December 31: | Amounts |
|---|---|
| 2004 | $480,402 |
| 2005 | 900,402 |
| 2006 | 868,497 |
| 2007 | 849,909 |
| 2008 | 856,454 |
| 2009-21 | 2,107,039 |
| Totals | $6,062,703 |

## 7. DEFINED BENEFIT PENSION PLANS

### 1. Pension Benefit Obligation

All employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, were required to contribute 8.5 % of their annual covered salaries. The Port Authority's contribution rate for pension benefits for 2003 was 8.55 %. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Port Authority's required contributions for pension obligations to the traditional plan for the years ended December 31, 2003, 2002, and 2001 were $ 32,175, $ 36,765 and $ 35,016 respectively; 100% has been contributed for 2003, 2002 and 2001.

### 2. Other Post-employment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statue. The 2003 local government employer contribution rate was 13.31% of covered payroll; 5% of covered payroll was the portion that was used to fund health care.

## 7. DEFINED BENEFIT PENSION PLANS (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were $10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $18.7 billion and $8.7 billion respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

## 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, an 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, 2003 and 2002 is $57,770 and $53,544 respectively.

## 9. RISK MANAGEMENT (Continued)

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.

## 10. RECEIVABLES

Total accounts receivable as of December 31, 2003 is $2,411,342. Trade Accounts Receivable of $209,502 with doubtfull accounts on these receivables amounts to ($69,000) and grants receivables of $2,201,840.

## 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) (Section 28, 36, 38, 40, 41, 43, 44 and 45) was cited.

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**Auditor of State**
**Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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 years ended December 31, 2003 and 2002, and have issued our report thereon dated May 31, 2005. 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.

**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 in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and operation that we consider material weaknesses. In a separate letter to the Port Authority's management dated May 31, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable.

**Compliance and Other Matters**

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001.

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We intend this report solely for the information and use of the audit committee, management and the Board of Directors, and is not intended for anyone other than these specific parties.

Betty Montgomery

**Betty Montgomery**
Auditor of State

May 31, 2005

**COLUMBIANA PORT AUTHORITY**
**COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS**
**DECEMBER 31, 2003 AND 2002**

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

**FINDING NUMBER 2003-001**

**Budgetary Process - Noncompliance Citation**

Ohio Rev. Code Section 5705.28(B)(2)(a) provides in part that 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.

Ohio Rev. Code Section 5705.36(A)(1) states that the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor, as of January 1, the total amount of revenues, from all sources, available for expenditures plus any unencumbered balances that existed at the end of the preceding year. Additionally, Ohio Rev. Code Section 5705.36(A)(2)-(4) states the taxing authority should revise these estimates as it identifies significant variances in the amount of budgeted receipts as compared with actual receipts, located in the official certificate.

Ohio Rev. Code Section 5705.38 requires that appropriation measures and any subsequent amendments be approved by the taxing authority on or about the first day of each year. Under Ohio Rev. Code Section 5705.39, the total appropriations from each fund shall not exceed the total of estimated revenue available for expenditure therefrom, as certified by the budget commission. Further, no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate confirming that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the original or amended official estimates.

Pursuant to Ohio Rev. Code Section R.C. 5705.40, at the close of each fiscal year, the unencumbered balance of each appropriation shall revert to the respective fund from which it was appropriated and any unencumbered balance of an appropriation need not be re-appropriated so long as the previously appropriated funds are un-liquidated and outstanding. However, such funds may not be considered in estimating the balance available for expenditure the following fiscal year.

During fiscal years 2003 and 2002, the Columbiana Port Authority did not approve an annual operating budget, certify resources to the county auditor, or adopt annual appropriations to comply with the budgetary requirements as defined in the preceding paragraphs.

We recommend the Columbiana Port Authority implement policies and procedures to ensure that the Port Authority and Board of Directors follow the above cited Ohio Revised Code Sections.

**COLUMBIANA PORT AUTHORITY**
**COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**
**DECEMBER 31, 2003 and 2002**

| **Finding Number** | **Finding Summary** | **Fully Corrected?** | **Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain*:** |
|---|---|---|---|
| 2001-61215-001 | ORC, Chapter 5705 (B) (2) (a), (b) and (c) (Section 28, 36, 38, 40, 41, 43, 44 and 45) | No | Not corrected, will repeat for the current audit period as Finding # 2003-001. |

Auditor of State
Betty Montgomery

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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**
**SEPTEMBER 13, 2005**