COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005-2004

Mary Taylor, CPA
Auditor of State

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Columbiana Port Authority
Columbiana County
1250 St. George Street
East Liverpool, OH 43920

To the Board of Directors:

We have audited the accompanying basic financial statements of the Columbiana Port Authority, Columbiana County (the Port Authority) as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express opinions 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Columbiana Port Authority, as of December 31, 2005 and 2004, and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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The Port Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 5, 2007

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2005

Assets	
Equity in pooled cash and cash equivalents	$ 271,683
Account Receivable (net of allowance of uncollectibles)	3,388,707
Prepaid: Insurance, subscriptions, lease expense, worker's compensation deposit	48,778
Property, plant and equipment (net of accumulated depreciation where applicable)	16,628,493
Construction in progress	2,383,942
Total Assets	22,721,603
Liabilities	
Accounts Payable	196,779
Accrued Interest	3,833
Accrued wages and benefits	11,742
Compensated absences	56,840
Long-Term Liabilities:	
Due within more than one year	6,929,742
Total Liabilities	7,198,936
Net Assets	
Unrestricted	15,522,667
Total Net Assets	$15,522,667

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 NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

Operating Revenues	
Rent	$ 1,134,723
Grants	2,850,960
Miscellanous	401,262
Total Operating Revenues	4,386,945
Operating Expenses	
Non payroll expenditures	881,739
Payroll expenditures	432,543
Travel and entertainment	37,215
Depreciation	504,886
Total Operating Expenses	1,856,383
Operating Income (Loss)	2,530,562
Non-Operating Revenues	
Interest income	6,631
Total Non-Operating Revenues	6,631
Change in Net Assets	2,537,193
Net Assets Beginning of Year	12,985,474
Net Assets End of Year	**$15,522,667**

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

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash flows from operating activities:	
Net income / (loss)	$2,537,194
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	504,886
Decrease / (increase) in operating assets:	
Accounts receivable	(1,618,392)
Other	(1,102,335)
Increase / (decrease) in operating liabilities:	
Accounts payable	2,718
Accrued liabilities	(422)
Total adjustments	(2,213,545)
Net cash provided by (used in) operating activities:	323,649
Cash flows from investing activities:	
Capital expenditures	(811,416)
Net cash provided by (used in) investing activities	(811,416)
Cash flows from financing activities:	
Notes payable borrowings	1,533,374
Notes payable repayments	(1,199,470)
Net cash provided by (used in) financing activities	333,904
Net increase (decrease) in cash and cash equivalents	(153,863)
Cash and cash equivalents at beginning of year	425,546
Cash and cash equivalents at end of year	271,683

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

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2004

Assets	
Equity in pooled cash and cash equivalents	$ 425,546
Account Receivable (net of allowance of uncollectibles)	1,770,315
Prepaid: Insurance, subscriptions, lease expense, worker's compensation deposit	58,180
Property, plant and equipment (net of accumulated depreciation where applicable)	16,321,962
Construction in progress	1,272,206
Total Assets	19,848,209
Liabilities	
Accounts Payable	196,116
Accrued Interest	5,070
Accrued wages and benefits	11,296
Compensated absences	54,415
Long-Term Liabilities:	
Due within more than one year	6,595,838
Total Liabilities	6,862,735
Net Assets	
Unrestricted	12,985,474
Total Net Assets	$12,985,474

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 NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

Operating Revenues	
Rent	$ 1,088,237
Grants	628,000
Miscellanous	182,257
Total Operating Revenues	1,898,494
Operating Expenses	
Non payroll expenditures	1,217,999
Payroll expenditures	424,298
Travel and entertainment	29,234
Depreciation	437,218
Total Operating Expenses	2,108,749
Operating Income (Loss)	(210,255)
Non-Operating Revenues	
Interest income	10,024
Total Non-Operating Revenues	10,024
Change in Net Assets	(200,231)
Net Assets Beginning of Year	13,185,705
Net Assets End of Year	**$12,985,474**

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

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

Cash flows from operating activities:	
Net income / (loss)	($200,231)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	437,218
Decrease / (increase) in operating assets:	
Accounts receivable	572,027
Other	3,909,246
Increase / (decrease) in operating liabilities:	
Accounts payable	3,623
Accrued liabilities	(2,328)
Total adjustments	4,919,786
Net cash provided by (used in) operating activities:	4,719,555
Cash flows from investing activities:	
Capital expenditures	(6,839,725)
Net cash provided by (used in) investing activities	(6,839,725)
Cash flows from financing activities:	
Notes payable borrowings	2,869,321
Notes payable repayments	(1,200,163)
Net cash provided by (used in) financing activities	1,669,158
Net increase (decrease) in cash and cash equivalents	(451,012)
Cash and cash equivalents at beginning of year	876,558
Cash and cash equivalents at end of year	425,546

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 (the Port Authority), 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 2005 and 2004 was $504,886 and $437,218.

C. Basis of Presentation

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Port Authority has elected not to apply FASB statements and interpretations issued after November 30, 1989.

The Port Authority's financial statements consist of government-wide statements, including the statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows.

D. Measurement Focus

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the statement of net assets.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Revenues – Exchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Expenses: On the accrual basis of accounting, expenses are recognized at the time they are incurred.

F. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

G. Deposits and Investments

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

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:

1. 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;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. CASH - (Continued)

3. 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;

4. Interim deposits in eligible institutions applying for interim funds;

5. Bonds and other obligations of the State of Ohio;

6. 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

7. The State Treasury Asset Reserve of Ohio (STAR Ohio).

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

The GASB has established risk categories for deposits as follows:

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, 2005, the carrying amount of the Port Authority’s deposits were $271,683 and the bank balance was $236,438.

1. $179,741 was covered by Federal Depository Insurance.

3. CASH - (Continued)

2. $56,697 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.

As of December 31, 2004, the carrying amount of the Port Authority's deposits were $427,546 and the bank balance was $452,780.

1. $250,179 was covered by Federal Depository Insurance.

2. $202,601 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 entered into an agreement to loan Central Columbiana & Pennsylvania Railroad (CCP&R) money. Due to bankruptcy, the total amount of this loan, $401,760 has been discharged.

5. FIXED ASSETS

Summary by Category at December 31, 2005:

Category	Cost	Accumulated Depreciation	Book Value
Autos	$20,363	$14,060	$6,303
Buildings	7,253,600	2,310,790	4,942,810
Furniture & Fixtures	71,809	54,405	17,404
Land	1,471,870	0	1,471,870
Land Improvements	6,046,025	1,168,084	4,877,941
M & E	16,435	10,974	5,461
Signage	9,669	5,453	4,216
Railroad	5,783,105	480,617	5,302,488
Total	$20,672,876	$4,044,383	$16,628,493

5. FIXED ASSETS - (Continued)

Summary by Category at December 31, 2004:

Category	Cost	Accumulated Depreciation	Book Value
Autos	$20,363	$11,151	$9,212
Buildings	7,225,382	2,063,195	5,162,187
Furniture & Fixtures	66,814	47,542	19,272
Land	1,471,870	0	1,471,870
Land Improvements	6,046,025	1,107,278	4,938,747
M & E	16,435	9,214	7,221
Signage	9,669	4,721	4,948
Railroad	5,004,900	296,395	4,708,505
Total	$19,861,458	$3,539,496	$16,321,962

6. LONG-TERM DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Rail Road Improvement - ORDC	$2,048,047	varies
Rail Road - National City Bank	825,014	7.95%
Ferro Building - National City Bank	20,817	7.95%
Fiber Optics Project - Sky Bank	249,950	3.86%
Fiber Optics Project - Bank One	1,494,850	4.75%
Sky Bank Building - CIC Loan	56,854	4.00%
Sky Bank Building - CDBG Economic Development	67,963	4.00%
Sky Bank Building - Sky Bank Loan	938,057	7.59%
Sky Bank Building - Sky Bank Loan	468,174	7.59%
Sky Bank Building - ODOD	760,016	4.00%
Total	$6,929,742	

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%.

6. LONG-TERM DEBT - (Continued)

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.

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	869	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	$26,688	

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
2006	0.00%	$35,000
2007	1.00%	35,719
2008	1.00%	35,719
2009	2.50%	36,278
2010	2.50%	36,278

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

Year Ending December 31:	Amounts
2006	$2,613,297
2007	849,909
2008	856,454
2009	841,508
2010	856,117
Totals	$6,017,285

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, 2005, 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 2005 was 9.55 %. 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, 2005, 2004, and 2003 were $39,716, $38,103 and $32,175 respectively; 100% has been contributed for 2005, 2004 and 2003.

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 2005 local government employer contribution rate was 13.31% of covered payroll; 4% 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, 2004, 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 376,109. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $29.77 billion and $18.7 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.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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 as of December 31, 2005 and 2004 is $56,840 and $54,415 respectively.

9. RISK MANAGEMENT

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

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

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

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

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

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

10. RECEIVABLES

Total accounts receivable as of December 31, 2005 is $3,388,707. Trade Accounts Receivable of $109,245 with doubtfull accounts on these receivables amounts to ($40,000) and grants receivables of $3,319,462.

11. ADVANCE RENT PAYABLE

Advance rent payable consists of $169,755 from Quality Liquid Feed, on a 99 year lease, which commenced on July 1, 2000.

12. CONDUIT DEBT

The Port Authority has issued Variable Rate Port Authority Revenue Bonds and Solid Waste Facility Revenue Bonds. The proceeds were used for acquiring, constructing and installing manufacturing and solid waste disposal facilities and equipment deemed to be in the public interest. These bonds are secured by the property financed and are payable solely from payment received on underlying Loan Agreements. The bonds do no constitute a debt or pledge of the full faith and credit of the Port Authority, and therefore, are not reported in the financial statements. As of December 31, 2005, there were six series of Variable Rate Port Authority Revenue Bonds and Solid Waste Management Facility Revenue Bonds Outstanding. The original issue amount of these Revenue Bonds totaled $81,330,000.

13. 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.

14. RELATED PARTY TRANSACTIONS

A Board of Director is owner of a company from which the Port Authority acquired liability insurance during the audit period. In 2005 and 2004, the Port Authority paid $64,584 and $64,324, respectively, for this liability insurance.

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

Columbiana Port Authority
Columbiana County
1250 St. George Street
East Liverpool, OH 43920

To the Board of Directors:

We have audited the financial statements of the Columbiana Port Authority, Columbiana County (the Port Authority) as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated April 5, 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Port Authority's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2005-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-001 listed above to be a material weakness.

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 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001.

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We intend this report solely for the information and use of the management and Board of Directors. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 5, 2007

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

Noncompliance Citation/Material Weakness

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 2005 and 2004, 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.

Officials' Response

The Columbiana County Port Authority's Board of Directors responded to Finding Number 2005-001 as follows:

1. We do not certify our budget with the County Auditor since we are not a line item of within the Columbiana County Budget.
2. Internally, we do adopt a budget and maintain within the parameters set by the Board of Directors.
3. Our financial statement presentation is on the GAAP Basis thus we do not present appropriation process as in governmental fund accounting.

COLUMBIANA PORT AUTHORITY
COLUMBIANA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2003-001	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 # 2005-001.

Mary Taylor, CPA
Auditor of State

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 12, 2007

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