



**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, 2003.....	3
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9
Schedule of Findings.....	11

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**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, Ohio, (the Port Authority) as of and for the year ended December 31, 2003. 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 reserve for encumbrance of the Port Authority as of December 31, 2003, 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 June 17, 2004 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

June 17, 2004

**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, 2003**

<b>Operating Cash Disbursements:</b>	
Contractual Services	\$60,872
Maintenance & Repair	149,035
Insurance	6,675
Legal	99,594
Miscellaneous	<u>14,701</u>
 Total Cash Disbursements	 <u>330,877</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Charges for Services	5,600
Investment Income	3,657
Insurance Proceeds	95,000
Miscellaneous Revenue	6,914
Debt Service - Interest	<u>(1,625)</u>
 Total Non-Operating Cash Receipts	 <u>109,546</u>
 Excess of Non-Operating Cash Receipts (Under) Operating Cash Disbursements and Non-Operating Cash Disbursements	   <u>(221,331)</u>
 Cash Balance, January 1	 <u>819,400</u>
 <b>Cash Balance, December 31</b>	 <b><u><u>\$598,069</u></u></b>
 Reserve for Encumbrance, December 31	 <u><u>\$46,300</u></u>

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

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**STARK COUNTY PORT AUTHORITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Stark County Port Authority, Stark County, Ohio (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 re-appropriated.

A summary of 2003 budgetary activity appears in Note 3.

**STARK COUNTY PORT AUTHORITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(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, 2003 follows:

Demand deposits	\$495,817
Certificates of deposit	<u>102,252</u>
Total deposits	<u><u>\$598,069</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, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$125,000	\$111,171	(\$13,829)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$464,700	\$378,802	\$85,898

**4. DEBT**

At December 31, 2003, 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 \$50,000 and was scheduled to be paid in full by the end of the fiscal year ended December 31, 2003. However, the loan was deferred by the Stark County CIC. The new term of the debt states the interest payment for 2003 on that loan will continue to be due as agreed. The deferment period will continue until the former Crane property is sold or leased at which time, the balloon payment will become due within 6 months. The interest was paid as required during 2003.

**STARK COUNTY PORT AUTHORITY  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(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 2003, the Port Authority paid SDB \$125 for servicing the 1998 loan. The 1998 loan is still outstanding as of December 31, 2003.

**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 proceeds were submitted to the Port Authority during 2003. 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.

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**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, Ohio, (the Port Authority) as of and for the year ended December 31, 2003, and have issued our report thereon dated June 17, 2004. 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 an immaterial instance of noncompliance that we have reported to management of the Port Authority in a separate letter dated June 17, 2004.

**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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be 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 the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2003-001.

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. 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 to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

June 17, 2004

**STARK COUNTY PORT AUTHORITY  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Reportable Condition**

**Financial Reporting**

Throughout fiscal year 2003, various errors and un-reconciled differences existed between the Port Authority's Receipt Ledger, Appropriation Ledger, Cash Journal and Un-audited Financial Report as follows:

- Interest earned on a certificate of deposit was estimated at \$420 and recorded in the Receipt Ledger; however the actual interest earned was already recorded. Additionally, while interest earned on the Port Authority's certificate of deposit and money market account was properly recorded in the Receipts Ledger, some of those interest deposits were not always reflected in the Cash Journal. Finally, September 2003 interest earned totaling \$738.86 was recorded as \$736.86.
- Receipt #964 totaling \$2,365 was posted to the Cash Journal but not to the Receipts Ledger. This amount was improperly reflected as a negative expenditure in the Appropriation Ledger. Additionally, receipt #963 and #964 totaling roughly \$1,548 and \$2,365, respectively, were recorded in the Receipt Ledger and Cash Journal; however, those receipts were not initially recorded in the Un-audited Financial Report.
- Initially, an improper expenditure of \$425,000 was improperly recorded in the Cash Journal to recognize the opening of a money market bank account.
- A bank charge totaling \$8 was recorded in the Appropriations Ledger; however the bank charge was not initially recorded in the Cash Journal and Un-audited Financial Report.
- A receipt totaling \$3,000 was initially recorded as Charges for Services as well as Miscellaneous on the Un-audited Financial Report. The receipt should have only been reflected as Miscellaneous.
- A professional services expenditure totaling \$19,893 was initially improperly classified as Maintenance and Repair rather than as Professional Services within the Appropriation Ledger and Un-audited Financial Report.

As a result, the Receipt Ledger, Appropriation Ledger, Cash Journal and Un-audited Financial Report did not initially reconcile to the bank nor were all receipt and expenditure transactions properly classified.

To help ensure the accuracy of the Unaudited Financial Report and the aforementioned ledgers the Office Manager and Accountant should closely review and reconcile the accounting records throughout the year. This will allow reporting errors and omissions to be identified and corrected timely. Reconciliations should be performed monthly, and reconciling items should be investigated, documented and corrected in a timely manner.







**Auditor of State  
Betty Montgomery**

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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  
AUGUST 5, 2004**