CANTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

PORT AUTHORITY
ASHTABULA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

Board of Trustees
Ashtabula County Port Authority
77 North Chestnut Street
Jefferson, Ohio 44047

We have reviewed the *Independent Accountants' Report* of the Ashtabula County Port Authority, Ashtabula County, prepared by Canter and Company, for the audit period January 1, 2006 though December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ashtabula County Port Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 18, 2007

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CANTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Trustees
Port Authority, Ashtabula County, Ohio

We have audited the accompanying Statement of Net Assets of the Port Authority, Ashtabula County as of and for the year ended December 31, 2006, and the related statement of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the 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 *Government Auditing Standards,* issued by the Comptroller 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ashtabula County Port Authority as of December 31, 2006, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 7, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards,* we have also issued our report dated August 3, 2007, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions, of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards,* and should be read in conjunction with this report in considering the results of our audit.

Canter & Company
Canter & Company
Youngstown, Ohio

August 3, 2007

The discussion and analysis of the Ashtabula County Port Authority's (Authority) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers are encouraged to consider information presented here as well as the basic financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

- In total net assets were $527,183 for 2006.
- Operating revenues were from $513,201 in 2006 due to the Authority purchasing Water Plant C from the Cleveland Electric Illuminating Company. The majority of the revenue was due to a one time payment from the Authority's largest consumer, Lyondell, for $400,000.
- Total expenses were $141,096 in 2006 due in large part to taking over operations of Plant C.
- Outstanding debt was $1,955,812 for 2006.

Using this Financial Report

This annual report consists of two parts, the MD&A and the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets and a statement of cash flows. Since the Authority only uses one fund for its operations, the entity wide and the fund presentations information is the same. The information provided is for the current year only. Next year a comparative analysis will be presented when two years of accrual data are available.

Statement of Net Assets and the Statement of Activities

The view of the Authority as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

These statements report the Authority's net assets, however, in evaluating the overall financial position of the Authority, non-financial information such as changes in the condition of the Authority's capital assets will also need to be evaluated.

Table 1 provides a summary of the Authority's net assets for 2006.

Table 1
Net Assets

	2006
Assets	
Current and Other Assets	$1,179,807
Capital Assets	1,804,458
Total Assets	2,984,265
Liabilities	
Noncurrent Liabilities	1,955,812
Current Liabilities	501,270
Total Liabilities	2,457,082
Net Assets	
Invested in Capital Assets Net of Related Debt	1,053
Unrestricted	526,130
Total Net Assets	$527,183

The Authority's total net assets were $527,183.

Current and other assets were $1,179,807.

Capital assets were $1,804,458 in 2006. The Authority purchased Plant C for $1,100,000.

Table 2 shows the changes in net assets for the year ended December 31, 2006 as well as revenue and expense for 2006.

Table 2
Revenues and Expenses

	2006	
Operating Revenues:		
Sales	$513,201	
Non-Operating Revenues:		
Interest	21,244	
Total Revenues	534,445	
Operating Expenses:		
Personal Services	26,097	
Contractual Services	92,683	
Supplies and Materials	1,022	
Other Operating Expenses	21,155	
Depreciation	139	
Non-Operating Expenses:		
Other Non-Operating Expenses	750	
Interest and Fiscal Charges	372	
Total Expenses	142,218	
Increase in Net Assets	392,227	
Net Assets Beginning of Year	134,956	
Net Assets End of Year	$527,183	

Analysis of Overall Financial Position and Results of Operation

The financial position of the Authority improved during the past year. The increase in net assets needs, perhaps, to be explained more fully in order to better understand the financial picture for 2006. There was one major item that affected the Authority in a positive way. In 2006, the Authority purchased a water pumping plant from Cleveland Electric. While the plant is being rehabilitated it was still able to generate revenues with its main customer, Millennium Inorganic Chemicals, Inc. They collected a one time fee of $400,000 plus a monthly operating fee of $26,930.

Capital Assets

The ending balance of capital assets shows an increase of $1,568,464 compared to the prior year. This increase is due to the rehabilitation of the Plant C water plant acquired from Cleveland Illuminating.

	2006	2005
Land	$689,294	$235,994
Construction in Progress	1,114,111	0
Equipment	1,053	0
Totals	$1,804,458	$235,994

For more information on the Authority's capital assets, see Note 7 to the basic financial statements.

Debt

The Authority has no bonded indebtedness. The Authority's debt consists of a loan from OWDA and Ashtabula County payable with a balance of $1,942,450. The Authority will be granted relief from the $80,000 debt to the County. For more information on the Authority's debt, see Note 6 to the basic financial statements.

Current Issues

In March of 2006 the Authority resolved to purchase Plant C from the Cleveland Electric Company. The pumping station was operated by FirstEnergy Corporation and they had plans to shut down the stations operations due to lack of profit. The Authority decided that this would be detrimental to the community if this were to occur. There are currently eight manufacturing operations that rely upon the pumping for processed water and fire protection, and the station pumps 20 to 25 million gallons of water a day. The Authority planned to and did purchase the station to ensure its operation in order to retain the 850 full-time jobs and the eight manufacturing facilities.

Plant C was constructed around 1950 and has deteriorated over time. The interior raw piping is decaying and has an asbestos coating. There are currently only three to five of the twelve total pumps that are operational at the station. The Authority plans to install new valves, upgrade and repair electrical transformers, and complete other repairs as needed to make a minimum of five pumps fully operational. The long term plan is to have all twelve pumps fully operational as demand increases. If the plant was not purchased FirstEnergy Corporation would have shut down the station leaving the eight manufacturing business without water forcing them to shut down causing the loss of the 850 full-time jobs.

The affected companies include Elkem Metals, Inc., Lydonell Chemical Company, Praxair Inc., Gabriel Holdings, ESAB Welding and Cutting Products, ASHTA Chemicals, Inc., U.S. Aluminate, and Detrex Corporation. Once all twelve pumps are operational, Plant C will have the ability to pump 150 million gallons of water a day. This increase will ultimately allow for three new, large manufacturing operations to locate nearby, potentially on the additional 21-plus acres included in the sale of the plant facility. Not only did this protect Ashtabula County's current employment and tax revenue from decreasing, it allows for a potential increase of both in the future.

The funding for this project comes from various grants and loans from the Ohio Department of Development, Ohio Water Development Authority, Clean Ohio Assistance Fund , a bank loan and revenue generated for the sale of water.

Contacting the Ashtabula County Port Authority's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, Dr. Jerome Brockway, at the Ashtabula County Port Authority, 77 North Chestnut Street, Jefferson, Ohio 44047.

Ashtabula County Port Authority
Ashtabula County
Statement of Net Assets - Proprietary Fund
December 31, 2006

Assets	
Current Assets:	
Cash and Cash equivalents	$679,579
Grants Receivable	500,000
Undeposited Funds	228
Total Current Assets	1,179,807
Non-Current Assets:	
Nondepreciable Capital Assets	1,803,405
Depreciable Capital Assets, Net	1,053
Total Non-Current Assets	1,804,458
Total Assets	$2,984,265
Liabilities	
Current Liabilities:	
Accounts Payable	$792
Deferred Revenue	500,000
Intergovernmental Payable	478
Total Current Liabilities	501,270
Non-Current Liabilities:	
Due in More than One Year	1,955,812
Total Liabilities	2,457,082
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,053
Unrestricted	526,130
Total Net Assets	527,183
Total Liabilities and Net Assets	$2,984,265

See accompanying notes to basic financial statements.

Ashtabula County Port Authority
Ashtabula County
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
December 31, 2006

Operating Revenue	
Sales	$513,201
Operating Expenses	
Personal Services	26,097
Depreciation	139
Contractual Services	92,683
Supplies and Materials	1,022
Other Operating Expenses	21,155
Total Operating Expenses	141,096
Operating Income	372,105
Non-Operating Revenues (Expenses)	
Interest Income	21,244
Interest and Fiscal Charges	(372)
Other Non-Operating Expense	(750)
Total Non-Operating Revenues (Expenses)	20,122
Increase In Net Assets	392,227
Net Assets, Beginning of Year	134,956
Net Assets, End of Year	$527,183

See accompanying notes to basic financial statements.

Ashtabula County Port Authority
Ashtabula County
Statement of Cash Flows - Proprietary Fund
December 31, 2006

Cash Flows From Operating Activities:	
Cash Received from Customers	$513,201
Cash Paid for Goods and Services	(69,872)
Cash Paid to Employees	(26,510)
Other Operating Expenses	(9,863)
Net Cash Provided By Operating Activities	406,956
Cash Flows From Non-Capital Financing Activities:	
Other Non-Operating Expenses	(861)
Cash Flows From Investing Activities:	
Interest on Investments	21,244
Cash Flows From Capital and Related Financing Activities:	
Proceeds from Loans	1,825,000
Payment for Capital Acquisitions	(1,568,603)
Principal Payments on Debt	(15,622)
Interest Payments	(372)
Net Cash Provided by Capital and Related Financing Activities	240,403
Net Increase in Cash and Cash Equivalents	667,742
Cash and Cash Equivalents at Beginning of Year	11,837
Cash and Cash Equivalents at End of Year	$679,579
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income	$372,105
Adjustments:	
Depreciation	139
Increase (Decrease) in Liabilities:	
Intergovernmental Payable	34,712
Total Adjustments	34,851
Net Cash Provided by Operating Activities	$406,956

See accompanying notes to basic financial statements.

Note 1 - Description of the Ashtabula County Port Authority

A. The Port Authority

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

B. Reporting Entity

The Authority's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "The Reporting Entity" as amended by GASB Statements No. 39 "Determining Whether Certain Organizations Are Component Units." The financial statements include all departments and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organizations governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organizations other than the Authority itself are included in the financial reporting entity.

Component units are legally separate organizations for which a primary government is financially accountable. The primary government is financially accountable for an organization if the primary government appoints a voting majority of the organization's governing board and (1) the primary government is able to significantly influence the programs or services performed or provided by the organization; or (2) the primary government is legally entitled to or can otherwise access the organization's resources; the primary government is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the primary government is obligated for the debt of the organization. Under the criteria specified in Statement No. 14 and Statement No. 39, the Authority has no component units. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization.

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources are generally applicable to the primary government. The Authority also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB Pronouncements and Interpretations issued after November 30, 1989. The more significant of the Authority's accounting policies are described below.

A. Basis of Presentation

The Authority reports its operations as a single enterprise fund. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent 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 or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of proprietary funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increase (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled service charges are recognized as revenue at year end.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, includes grants. On an accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the accrual basis of accounting, expenses are recognized at the time they are incurred.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and requires an annual budget. This budget includes estimated receipts and appropriations. In addition, the Rules and Regulations of the Authority require the Board to adopt an appropriation resolution. The Authority maintains budgetary control by not permitting expenditures to exceed their respective appropriations without amendment of appropriations from the Board of Directors.

D. Cash and Cash Equivalents

The Authority maintains two interest bearing depository accounts. All funds of the Authority are maintained in these accounts. These interest bearing depository accounts are presented in the combined balance sheet as "Cash and Cash Equivalents". The Authority has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general operating fund during 2006 amounted to $21,244.

E. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year.

Donated capital assets are recorded at their fair market values as of the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fund's capital assets.

Depreciation in the enterprise fund is computed using the straight-line basis over the following estimated useful lives:

Estimated Lives	Description
5 years	Furniture, Fixtures and Equipment

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The statement of net assets reports net assets of $527,183, of which none is restricted.

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Authority, these revenues are charges for services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Authority. Revenues and expenses which do not meet these definitions are reported as non-operating.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Authority maintains a capitalization threshold of one thousand dollars. Actual results may differ from those estimates.

Note 3 – Change in Accounting Principles

For 2006, the Port Authority has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation."

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

GASB Statement No. 46 clarifies how enabling legislation should be defined for determining restricted net assets.

The implementation of GASB Statement No. 39, GASB Statements No. 42 and GASB Statement No. 46 did not affect the presentation of the financial statements of the Port Authority.

Note 4 – Deposits and Investments

State statues classify monies held by the Port Authority into three categories.

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash by the Port Authority, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation 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. 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 must not exceed thirty days;

4. Bonds and any other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;

6. The State Treasurer's investment pool (STAROhio).

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at lease 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Authority's name. During 2006, the Port Authority had no investments.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Port Authority.

At year-end, the carrying amount of the Port Authority's deposits was $679,579. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, $527,303 of the Port Authority's bank balance of $627,303 was exposed to custodial risk as discussed above, while $100,000 was covered by Federal Deposit Insurance Corporation.

Note 5- Operating Lease

The Port Authority leases space monthly from Growth Partnership for Ashtabula County for $225 per month. Lease expense for the year ended December 31, 2006 was $2,700.

Note 6 –Long-Term Obligations

A summary of the Port Authority's outstanding long-term obligations are as follows:

Issue	Outstanding 12/31/05	Additions	(Reductions)	Outstanding 12/31/06	Amounts Due in One Year
Long-Term Loans Payable					
North Bend/State Route 45 - 6.25 %	$15,622	$0	($15,622)	$0	$0
Long-Term Note Payable					
North Bend Sewer Extension - 0%	80,000	0	0	80,000	0
OWDA Loan					
Purchase & Improvement - Plant C - 3.0%	0	1,862,450	0	1,862,450	0
Other Long-Term Obligations					
Accrued Mineral Rights Payable - n/a	13,362	0	0	13,362	0
Total Long-Term Obligations	$108,984	$1,862,450	($15,622)	$1,955,812	$0

The Port Authority obtained a loan September 26, 2000 in the principal amount of $123,470 for the purpose of developing an industrial park which is secured by the property known as North Bend and State Route 45. The Authority received approval for a reduction of the interest from 9.25% to 6.25% beginning September 1, 2003, until the note is fully paid. The note was subsequently paid off in June of 2006.

In May of 2002, the Ashtabula County Commissioners loaned the Authority $80,000 at zero percent interest. The funds were to be used for the North Bend sewer extension. The loan requires payments when lots are sold. The payments are to be in the amount of $2,222 per acre sold. The Port Authority has asked that the county forgive the loan due to Tax Increment Financing (T.I.F) agreements being signed by Foseco and PlastPro 2000 in 2003. The principal amount of $80,000 has been set aside from the T.I.F. proceeds and it is expected that the note will be canceled.

The Port Authority has entered into a contractual agreement for a purchase and improvement loan from OWDA for the First Energy Plant C project in the amount $3,026,987. Under the terms of this agreement, OWDA will reimburse, advance, or directly pay the construction costs of the approved project. OWDA will capitalize administrative costs and construction interest and add them to the total amount of the final loan. Since the loan has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements.

In April of 2000, the Port Authority entered into an agreement with Cambrian Hunter, Inc. for the purpose of settling claims and disputes between the two parties concerning mineral rights on the Industrial Park property purchased by the Port Authority. Under the terms of the agreement, the Port Authority is to pay Cambrian $500 each time it sells one acre of land of the Industrial Park. The entire balance of this payable is considered long-term and due within more than one year.

Note 7- Capital Assets

A summary of the Port Authority's capital assets at December 31, 2006 follows:

	Balance 12/31/05	Additions	Reductions	Balance 12/31/06
Capital assets not being depreciated				
Land	$235,994	$453,300	$0	$689,294
Construction in progress	0	1,114,111	0	1,114,111
Total capital assets not being depreciated	235,994	1,567,411	0	1,803,405
Capital assets being depreciated				
Furniture, Fixtures and Equipment	5,345	1,192	(5,345)	1,192
Accumulated depreciation				
Furniture, Fixtures and Equipment	(5,345)	(139)	5,345	(139)
Capital assets being depreciated, net	0	1,053	0	1,053
Capital assets, net	$235,994	$1,568,464	$0	$1,804,458

Note 8 - Risk Management

Commercial Insurance

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

- Comprehensive property and general liability;

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

Note 9: Water Pumping Service Agreement

On April 28, 2006, the Port Authority entered into a ten-year agreement to provide water pumping services to Ashco, Inc., a wholly owned subsidiary of Millennium Inorganic Chemicals Inc. Under the terms of this agreement, the Port Authority agrees to provide process water from Plant C to Ashco's manufacturing facility, until the agreement expires on December 31, 2016. During 2006, Ashco Inc. paid the Port Authority a one time capacity reservation fee of $400,000, and also paid a monthly operating fee of $26,930. Assuming neither party breaches the written terms of the agreement, Ashco Inc. will continue to pay the monthly operating fee to the Port Authority at agreed upon rates which can fluctuate based upon the Port Authority's costs to provide the service. For 2007, the monthly fee has been set at $26,070.

If the agreement is terminated by Ashco, Inc. prior to December 31, 2016 for any reason other than an agreed upon termination by both parties or a termination by the Port Authority allowable under the written terms of the agreement, Ashco Inc. agrees to pay a termination fee to the Port Authority based upon the following schedule;

If Notice of Termination is Given by Ashco Inc. to the Authority During the Period Listed Below, they must Pay the Corresponding Service Charge	Termination Charge
April 28, 2006 through December 31, 2006	$387,500
January 1, 2007 through December 31, 2007	351,000
January 1, 2008 through December 31, 2008	316,100
January 1, 2009 through December 31, 2009	280,145
January 1, 2010 through December 31, 2010	243,143
January 1, 2011 through December 31, 2011	205,000
January 1, 2012 through December 31, 2012	165,727
January 1, 2013 through December 31, 2013	125,245
January 1, 2014 through December 31, 2014	83,500
January 1, 2015 through December 31, 2015	40,548
January 1, 2016 through December 31, 2016	0

The agreed upon termination charge schedule does not impact the financial statements due to the fact it is contingent upon a cancellation of the agreement. The $400,000 capacity reservation fee and the monthly operating fees were recorded during 2006 and are reflected on the statement of revenues, expenses and changes in net assets as sales operating revenue.

Note 10: Water Pumping Service Guaranty

On April 28, 2006, the Port Authority entered into a ten-year guaranty with Millennium Inorganic Chemicals Inc., to provide water pumping services to Ashco, Inc., a wholly owned subsidiary of Millennium Inorganic Chemicals Inc. Under the terms of this agreement, Millennium Inorganic Chemicals Inc. guarantees the due and punctual payment of any and all amounts payable by Ashco, Inc., to the Port Authority, provided the Port Authority does not breach the terms of the contract. The guaranty will remain in full force and effect until the earlier of; (a) the termination of the agreement agreed upon between the two parties involved, (b) payment in full of all 10 years of obligations by Ashco Inc., or (c) the return of the guaranty to Millennium Inorganic Chemicals Inc. marked "cancelled".

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Port Authority
Ashtabula County
77 North Chestnut Street
Jefferson, Ohio 44047

We have audited the financial statements of the Ashtabula County Port Authority, (the Authority) as of and for the years ended December 31, 2006, and have issued our report thereon dated August 3, 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 *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 Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

In a separate letter to the Authority's management dated August 3, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance that are required to be reported under *Government Auditing Standard* which are described in the accompanying schedule of findings as item 2006-001.

Port Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Port Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board or Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Canter & Company

Canter & Company

Youngstown, Ohio

August 3, 2007

PORT AUTHORITY
ASHTABULA COUNTY
DECEMBER 31, 2006

SCHEDULE OF FINDINGS

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

Finding # 2006-001

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

There are several exceptions to the standard requirement stated above that fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made "then" at the time that they are completing their certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

   Amounts of less than $3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Authority.

2. Blanket Certificate: Fiscal officers may prepare so-called "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate: Fiscal officers may also issue so-called "super blanket" certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year or, in the case of counties, beyond the quarterly spending plan established by the county commissioners. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Authority's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Authority. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) required to authorize disbursements. The fiscal officer should sign the certification at the time the Authority incurs a commitment and only when the requirements of 5705.41(D) are satisfied.

When prior certification is not possible, the "then and now" certification should be used. Also the fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Mary Taylor, CPA
Auditor of State

ASHTABULA COUNTY PORT AUTHORITY

ASHTABULA 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
OCTOBER 4, 2007

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