

***CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Trustees
Conneaut Port Authority
P. O. Box 218
Conneaut, Ohio 44030

We have reviewed the *Report of Independent Accountants* of the Conneaut Port Authority, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 Conneaut Port Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 14, 2007

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**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2005**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1 - 2
Management's Discussion and Analysis	3 - 10
Statement of Net Assets	11
Statement of Revenue, Expenses and Changes in Net Assets	12 - 13
Statement of Cash Flows	14
Notes to the Financial Statements	15 - 24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	25 - 26
Schedule of Findings	27 - 29
Schedule of Prior Audit Findings	30

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Charles E. Harris & Associates, Inc.
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REPORT OF INDEPENDENT ACCOUNTANTS

Conneaut Port Authority
Ashtabula County
P.O. Box 218
Conneaut, Ohio 44030

To The Board of Trustees:

We have audited the accompanying basic financial statements of the Conneaut Port Authority, Ashtabula County, Ohio, (the Port Authority), a component unit of the City of Conneaut, as of and for the year ended December 31, 2005, as listed in the table of contents. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Conneaut Port Authority, Ashtabula County, Ohio, as of December 31, 2005, and the 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 10 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on 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 October 26, 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, 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 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.

Charles E. Harris & Associates, Inc.

October 26, 2007

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The discussion and analysis of the Port Authority for the City of Conneaut's financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the footnotes to enhance their understanding of the Port Authority's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2005 are as follows:

Net assets of business-type activities decreased by \$17,747 which represents a 1.3% decrease from 2004.

Total assets of business-type activities decreased \$ 82,763, which represents a 4.8% decrease from 2004.

Total liabilities of business-type activities decreased by \$ 65,016, which represents a 17.8% decrease from 2004. The decrease was due to the reduction of debt in 2005.

Total cash and cash equivalents of business-type activities decreased \$ 75,118 or 63.8%.

Capital assets (before depreciation) of business-type activities increased \$ 81,011 or 3%.

Port Authority revenue has remained level over the past five years with an increase of 14% for the year 2003 and a decrease of 4% for the current year.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Port Authority for the City of Conneaut as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets, Statement of Revenue, Expenses and Changes in Net Assets, and the Statement of Cash Flows provide information about the activities of the Port Authority presenting both an aggregated view of the Port Authority's finances and a longer-term view of those assets.

The Port Authority's single fund is an enterprise fund with reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund accounts for any activity for which a fee is charged to external users.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

REPORTING THE PORT AUTHORITY FOR THE CITY OF CONNEAUT AS A WHOLE

Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets

While this document contains information about the funds used by the Port Authority to provide services to its members, the view of the Port Authority as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Port Authority's net assets and the changes in those assets. This change in assets is important because it tells the reader whether for the Port Authority as a whole, the financial position of the Port Authority has improved or diminished. However, in evaluating the overall position of the Port Authority, non-financial information such as the Port Authority operating the fuel dock in 2005 and the Port Authority's capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, the Port Authority reports business-type activities.

Business-type activities – These services have a charge based upon the amount of usage. The Port Authority charges fees for dock and ramp usage.

The Statement of Cash Flows provides information about how the Port Authority finances and meets the cash flow needs of its operations.

THE PORT AUTHORITY FOR CITY OF CONNEAUT AS A WHOLE

Recall that the Statement of Net Assets looks at the Port Authority as a whole. Table 1 provides a summary of the Port Authority's net assets for 2005 compared to 2004.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

**(TABLE 1)
NET ASSETS**

	<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>
ASSETS		
Current and Other Assets	\$ 175,341	\$ 221,469
Capital Assets, Net	<u>1,463,070</u>	<u>1,499,705</u>
Total assets	<u>1,638,411</u>	<u>1,721,174</u>
LIABILITIES		
Current and Other Liabilities	(76,117)	(63,826)
Long-Term Liabilities:		
Due within One Year	(57,009)	(76,684)
Due in More Than One Year	<u>(166,775)</u>	<u>(224,407)</u>
Total liabilities	<u>(299,901)</u>	<u>(364,917)</u>
NET ASSETS		
Investments in Capital Assets Net of Related Debt	1,239,286	1,198,614
Unrestricted	<u>99,224</u>	<u>157,643</u>
Total Net Assets	<u>\$1,338,510</u>	<u>\$1,356,257</u>

Total assets decreased \$82,763. Equity in pooled cash and cash equivalents decreased \$75,118. This decrease reflects debt reduction for the year.

Net assets of the Port Authority's business-type activities decreased by \$17,747. This is a reflection of a decrease in grants received and reduction of debt.

The Port Authority has borrowed against a line of credit in 2003 to help finance the ODNR restroom project for which it did receive reimbursement. The line of credit was paid off January, 2004.

Table 2 shows the changes in net assets for the year ended December 31, 2005.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

**(Table 2)
CHANGES IN NET ASSETS**

	<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>
REVENUE		
Dock Rentals:		
Jet ski slip	\$ 5,675	\$ 5,625
Lagoon	118,645	113,920
PCMYC	102,745	102,090
Club Fee - PCMYC	12,085	13,486
Shore power-PCMYC	2,215	2,715
Shore power-Lagoon	75	-
Extra Utility – PCMYC	25	775
Camping	2,250	1,200
Winter Storage	750	-
Transient dock	4,576	1,532
Lease income	30,440	26,343
Launch ramp – daily fees	40,596	38,920
Fuel dock	111,731	-
Vending income	487	175
Interest income	1,907	1,431
Grant ODNA – Pump-out station	16,090	-
Grant – Emergency dredging	-	159,540
Key income	121	-
Submerged land lease – state	87	3,555
Submerged land lease – other	-	101
BWC – refund	-	7
Miscellaneous	80	-
Sale of booth – launch ramp	-	50
Sale of scrap – “C” dock	-	98
Sale of scrap – iron	<u>64</u>	<u>68</u>
Total revenue	<u>450,644</u>	<u>471,631</u>

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

	<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>
EXPENSE:		
Salaries	19,700	16,000
Wages – dock rentals	53,968	31,969
Taxes – medicare	1,063	701
Taxes – state unemployment	506	387
Taxes – workers' compensation	2,872	2,027
OPERS	9,929	6,555
Repairs and maintenance	27,404	20,865
Lawn care	6,765	6,900
Dredging	-	160,165
Seaweed control	3,548	3,548
Operating supplies	5,975	4,408
Gas and oil	1,511	1,010
Trash removal	12,297	6,394
Utilities	21,336	18,448
Telephone	3,418	1,646
Insurance	20,495	20,808
Taxes – real estate	3,328	1,555
Office supplies	3,734	2,429
Uniforms	808	-
Meetings and travel	2,709	1,148
Dues and subscriptions	319	319
Legal and professional	7,455	9,270
Architect and engineering	1,713	1,003
Advertising and promotional	3,394	868
Employee bonding	100	83
Security	3,013	6,701
Temp Service	12,145	-
Contract labor	-	265
Licenses and permits	1,105	995
Equipment repairs	690	-
Postage and delivery	-	95
Bank service charge	1,393	544
Depreciation	117,646	113,214
Dues reimbursement – PCYC	-	4,650
Submerged land lease	2,000	-
Fuel dock expense	108,501	-
Launch ramp expense	-	210
Interest expense	6,991	8,097
Miscellaneous	560	-
Total expenses	<u>468,391</u>	<u>453,277</u>
Change in Net Assets	<u>\$ (17,747)</u>	<u>\$ 18,354</u>

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

BUSINESS-TYPE ACTIVITIES

The Port Authority operates business-type activities. The Port Authority generated revenue of \$450,644 and had expenses of \$468,391.

THE PORT AUTHORITY'S FUND

Information about the Port Authority's fund begins on page 15. This fund is accounted for using the accrual basis of accounting.

The fund balance of the operating fund decreased \$ 17,747.

BUDGETING HIGHLIGHTS

The Port Authority's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

CAPITAL ASSETS

**(TABLE 3)
CAPITAL ASSETS AT DECEMBER 31,**

	<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>
Capital assets, Non depreciable:		
Land	\$ 38,496	\$ 38,496
Master plan	50,318	50,318
Harbor plat maps	4,694	4,694
400 foot breakwall extension	14,758	14,758
Landscaping	<u>10,000</u>	<u>-</u>
Total Capital Assets, Non-depreciable	<u>118,266</u>	<u>108,266</u>

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

	Business-type Activities	
	2005	2004
Capital Assets, being depreciated:		
Lagoon Marina	240,000	240,000
Public Dock	537,079	537,079
Port Conneaut Marina and Yacht Club	530,867	530,867
Site Improvements	90,283	90,283
Building and improvements	227,950	227,950
Street Improvements	57,974	57,974
Leasehold improvements – Broad Street Extension	182,015	182,015
Public Dock engineering	64,331	64,331
Dock improvements	156,269	123,855
Observation deck	6,279	6,279
Machinery and equipment – security	24,193	10,044
Machinery and equipment	109,393	109,393
Office equipment and furniture	2,727	1,593
Launching ramp	166,366	166,366
Fuel dock	20,000	20,000
Boat launch – control office	190,429	190,429
Pump-out station	23,314	-
Total Capital Assets, being depreciated	2,629,469	2,558,458
Accumulated Depreciation	(1,284,665)	(1,167,019)
Total Capital Assets	\$1,463,070	\$1,499,705

The primary increase occurred in floating dock and pump-out station improvements. These projects were funded through profits and ODNR Division of Watercraft Capital Grant Reimbursement.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

DEBT

At December 31, 2005 the Port Authority had \$223,784 in notes, \$57,009 due within one year.

**(Table 4)
OUTSTANDING DEBT AT YEAR END**

	<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2004</u>
Note payable – City of Conneaut	\$200,000	\$270,000
Note payable – New Holland Credit Company	<u>23,784</u>	<u>31,091</u>
Total Debt	<u>\$223,784</u>	<u>\$301,091</u>

A note payable was to the City of Conneaut. The principal amount of \$200,000 is due February 28, 2006 with interest at a rate of 1.81% per year payable at maturity and if the Port Authority does not provide for payment at maturity then it will be until the principal is paid or provided for.

A note payable was also to New Holland Credit Company. The principal amount of \$23,784 is payable in monthly installments of \$719 including principal and interest at a fixed rate of 4.75% per annum. The term of the loan is fifty eight months with the final payment due November 30, 2008.

THE FUTURE

The Port Authority is strong financially. The Port Authority will continue with the dredging project and pumping system to continually pump sand out. The Port Authority will be planning to expand the Marina two to five years down the road to accommodate larger watercrafts. The Port Authority will continue to pursue economic growth.

CONTACTING THE PORT AUTHORITY TREASURER

This financial report is designed to provide the board with a general overview of the Port Authority's finances and to show the Port Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Thomas M. Belnap, CPA, 243 Main Street, Conneaut, Ohio 44030, 440-593-6412, or e-mail at belnap1@aol.com.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2005

ASSETS

Equity in Pooled Cash and Cash Equivalents	\$	132,468
Receivables:		
Accounts		990
Intergovernmental - Pump-out Station Grant		16,090
Material and Supplies Inventory		403
Gasoline Inventory		14,810
Prepaid Expenses		10,580
Nondepreciable Capital Assets		118,266
Depreciable Capital Assets, Net		1,344,804
		1,344,804
 Total Assets	 \$	 1,638,411
		1,638,411

LIABILITIES

Accounts Payable	\$	4,896
Sales Taxes Payable		340
Accrued Wages and Benefits		8,238
Deferred Revenue - Dock Rentals		57,610
Deferred Revenue - Waiting List		200
Accrued Interest		4,833
Long Term Liabilities		
Due Within One Year		57,009
Due in More Than One Year		166,775
		166,775
 Total Liabilities		 299,901

NET ASSETS

Investments in Capital Assets Net of Related Debt		1,239,286
Unrestricted		99,224
		99,224
 Total Net Assets	 \$	 1,338,510
		1,338,510

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

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

Revenue:

Dock Rentals:

Jet Ski Slip	\$ 5,675
Lagoon	118,645
PCMYC	102,505
PCMYC - 2004	240
Club Fee - PCMYC	12,050
Club Fee - PCMYC - 2004	35
Shore Power - PCMYC	2,215
Shore Power - Lagoon	75
Extra Utility - PCMYC	25
Camping	2,250
Winter Storage	750
	244,465

Total Dock Rentals 244,465

Transient Dock	4,576
Lease Income	30,440
Launch Ramp - Daily Fees	40,596
Fuel Dock	111,731
Vending Income	487
Interest Income	1,907
Grant - Pump-Out Station	16,090
Submerged Land Lease - State	87
Key Income	121
Miscellaneous	80
Sale of Scrap - Iron	64
	64

Total Revenue 450,644

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CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

(Continued from Previous Page)

Expenses:	
Salaries	19,700
Wages - dock rentals	53,968
Taxes - Medicare	1,063
Taxes - State Unemployment	506
Taxes - Workers' Compensation	2,872
OPERS	9,929
Repairs and Maintenance	27,404
Lawn Care	6,765
Seaweed Control	3,548
Operating Supplies	5,975
Gas and Oil	1,511
Trash Removal	12,297
Utilities	21,336
Telephone	3,418
Insurance	20,495
Taxes - Real Estate	3,328
Office Supplies	3,734
Uniforms	808
Meetings and Travel	2,709
Dues and Subscriptions	319
Legal and Professional	7,455
Architect and Engineering	1,713
Advertising and Promotional	3,394
Employee Bonding	100
Security	3,013
Contract Labor - Temp	12,145
Licenses and Permits	1,105
Equipment Repair	690
Bank Service Charges	1,393
Depreciation Expense	117,646
Submerged Land Lease	2,000
Fuel Dock Expenses	108,501
Interest Expense	6,991
Miscellaneous Expenses	560
Total Expenses	468,391
Change in Net Assets	(17,747)
Net Assets - Beginning of Year	1,356,257
Net Assets - End of Year	\$ 1,338,510

The notes to the Financial Statements are an integral part of this statement

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

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

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES:

Cash received from income, public support and fees and grants	\$ 441,191
Cash paid to suppliers, employees and relative expenses	<u>(359,898)</u>
Net cash provided by operating activities	81,293

**CASH FLOWS FOR CAPITAL AND RELATED FINANCING
ACTIVITIES:**

Principal payments	(77,307)
Acquisition of capital assets	<u>(81,011)</u>
Net cash provided by capital and related financing activities	(158,318)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>1,907</u>
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**NET INCREASE (DECREASE) IN CASH AND CASH
EQUIVALENTS**

(75,118)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

207,586

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 132,468

**RECONCILIATION TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:**

Net (loss)	\$ (17,747)
Adjustments to reconcile net income to net Cash provided by operating activities:	
Depreciation	117,646
(Increase) decrease in other assets (other the cash)	(28,990)
Increase (decrease) in other liabilities (other than those affecting cash)	<u>10,384</u>
Total adjustments	<u>99,040</u>
Net cash provided by operating activities	<u>\$ 81,293</u>

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of the Port Authority for the City of Conneaut.

General Policy - The Port Authority follows generally accepted accounting principles. The Port Authority carries its assets and liabilities on the historical cost basis and follows the accrual basis of accounting.

The Port Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. The enterprise fund account for any activity for which a fee is charged to external users.

Inventories are stated at cost. Cost is determined substantially by the first-in, first-out method.

Land, buildings, improvements and equipment are carried at cost and include expenditures for new facilities and major renewals and betterments. The threshold for capitalizing assets is generally \$500, depending on the useful life of the expenditure. Maintenance, repairs, and minor renewals are charged to expense as incurred. When assets are sold, or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any profit or loss arising from such disposition is included as income or expense in the year in which sold.

Depreciation is based on the estimated useful lives computed for financial reporting on the straight-line method. Improvements and buildings are depreciated over 10, 15, 20, 27½, 31½, and 39 years. Equipment is depreciated over 5 and 7 years.

For purposes of the statement of cash flows, the Port Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

The Port Authority for the City of Conneaut operates two marinas and leases other lakefront facilities at the Port Authority for the City of Conneaut. The Port Authority's office is located at 1300 Broad Street, Conneaut, Ohio. The Port Authority for the City of Conneaut is a legally separate entity, served by a seven-member board of directors appointed by the City Manager with the approval of City Council. Charged with the responsibility of industrial development and the improvement of Conneaut's interconnecting waterways, the Port Authority is empowered with the ability to carry out the actions they consider necessary to achieve these responsibilities. The Port Authority for the City of Conneaut is fiscally dependent on the City and is therefore a component unit of the City. Financial statements can be obtained from Thomas M. Belnap, CPA, 243 Main Street, Conneaut, Ohio.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

In accordance with Statement No. 20 of the Governmental Accounting Standards Board “*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*”, the Port Authority has elected not to apply the provisions of the statements and interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Port Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

2. LONG-TERM DEBT

The Port Authority is liable for a note payable to the City of Conneaut. The City has rewritten the previous loans payable and combined into one. The principal amount of \$ 200,000 is due on February 28, 2006 with interest at a rate of 1.81% per year, payable at maturity and, if the Port Authority does not provide for payment at maturity then it will be until the principal amount is paid or provided for.

The Port Authority is also liable for a note payable to New Holland Credit Company in monthly installments of \$719 including principal and interest at a fixed rate of 4.75% per annum. The term of the loan is fifty eight months with the final payment due November 30, 2008. The balance as of December 31, 2005 was \$23,784.

Maturities for the next three years ending after December 31, 2005 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 7,008	\$ 898
2007	8,001	624
2008	<u>8,775</u>	<u>214</u>
Total:	<u>\$23,784</u>	<u>\$1,736</u>

3. LEASES

The Port Authority for the City of Conneaut has entered into a fifty-year, non-monetary, lease commencing June 1, 1988 and ending May 31, 2038, with the City of Conneaut.

The Port Authority for the City of Conneaut has negotiated a forty-year lease commencing January 1, 1992 through December 31, 2031, with the Conneaut Boat Club. The annual lease amount is due and payable the fifteenth day of April each year, during the lease term.

Years 1-10, the lessee will pay base rent of \$ 16,000 for the first year and for the remaining years annual rent equivalent to one and a half percent of the base rate added to the rent for the previous year.

Years 11-20, the lessee will pay a new base rent not less than 15% nor more than 30% of the base rent established in years 1-10, including the same 1.5% increase added in the same manner as the first ten year period. The lessee will pay base rent of \$ 18,720 for year eleven and for the remaining years an annual rent equivalent to one and one half percent of the base rate added to the rent for the previous year, as follows:

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(CONTINUED)**

3. LEASES (continued):

01/01/06	\$ 19,844
01/01/07	20,125
01/01/08	20,406
01/01/09	20,687
01/01/10	20,968
01/01/11	21,249

Years 21-30, same negotiations as years 11-20.

Years 31-40, same negotiations as years 21-30.

The Port Authority for the City of Conneaut has entered into a forty-year lease commencing January 1, 1989 through December 31, 2028, with the Lake Erie Boat Club. The annual lease amount of \$ 3,000 is due and payable the first day of January each year, during years one through ten of the lease term. Prior to the end of the tenth year, the listed parties shall negotiate a new rental amount for the next ten years not to increase less than fifteen percent no more than thirty percent of the annual rent due years one through ten. The negotiated amount was determined to be \$3,900 through January 1, 2008. The previous procedure will occur for years twenty through thirty and years thirty through forty.

The Port Authority for the City of Conneaut has entered into a twenty-year lease commencing June 1, 1987 through May 31, 2007 with Ronald Rishavy and Nicholas Pape of Port Side Marine. The annual lease amount is due and payable the first day of June. The annual lease amounts are as follows:

Years 1-5 (June 1, 1987-May 31, 1992)	\$ 250 per year
Years 6-10 (June 1, 1992-May 31, 1997)	300 per year
Years 11-15 (June 1, 1997-May 31, 2002)	1,250 per year
Year 16 (June 1, 2002)	1,375
Year 17 (June 1, 2003)	1,512
Year 18 (June 1, 2004)	1,663
Year 19 (June 1, 2005)	1,830
Year 20 (June 1, 2006)	2,013

The Port Authority for the City of Conneaut negotiates a year to year lease with Ronald Rishavy and Nicholas Pape of Portside Marine for the use of the "North Lot" directly adjacent to the Portside Marine Facility. The lease amount for 2005 is \$1,250. The negotiated amount for 2006 is \$1,250.

The Port Authority for the City of Conneaut has entered into a fifty-year lease commencing July 1, 1989 through June 30, 2039, with the State of Ohio for the purpose of leasing Port Conneaut Marina and Yacht Club.

Years 1-5, the annual lease amount of \$ 1 is due and payable the first day of June.

Years 6-15, the annual lease amount will be calculated at fair market rate, but will not be more than \$ 4,000 per year, payable the first day of June.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

3. LEASES (continued):

Years 16-50, the annual lease amount will be calculated by the Director, Department of Natural Resources, who will establish a rate comparable to rates charged to similar facilities, payable the first day of June.

4. PENSION BENEFITS

Plan Description

All employees of the Port Authority are required to be members of the Ohio Public Employees Retirement System ("OPERS"). OPERS administers three separate pension plans described below:

(1) The Traditional Pension Plan (TP) – a cost sharing, multiple-employer defined benefit pension plan.

(2) The Member-Directed Plan (MD) – 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 member and (vested) employer contributions plus any investment earnings thereon.

(3) The Combined Plan (CO) – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Port Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6701 or 800-222-7377.

Funding Policy

The Ohio Revised Code provides statutory Port Authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans. The 2005 member contribution rate was 8.5 percent of their covered payroll to OPERS for members in state and local classifications. For local government units, the employer contribution rate was 13.55 percent of covered payroll for 2005, including 4 percent that it used to fund post-retirement health care benefits. The Port Authority's total contributions to OPERS for pension benefits (excluding the amount related to post-retirement benefits) for the year ended December 31, 2005, 2004, and 2003 was approximately \$7,078, \$4,699, and \$4,789, respectively. Total required employer contributions for all plans are equal to 100 percent of employer charges.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described previously, OPERS provides post-employment benefits to eligible participants. OPERS provides retirement, disability, survivor as well as post-retirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory Port Authority for employer contributions. In 2005, local government employer units, such as the Port Authority, contributed 13.55 percent of covered payroll, including 4 percent used to fund health care for the year. The Ohio Revised Code provides the statutory Port Authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest actuarial review, performed as of December 31, 2004.

Funding Method - An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

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

Investment Return - The investment assumption rate for 2004 was 8 percent.

Active Employee Total Payroll - An annual increase of 4 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4 percent base increase, were assumed to range from .50 percent to 6.3 percent.

Health Care - Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

OPEB's are advance-funded on an actuarially determined basis. At December 31, 2005, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109. The Port Authority's contributions for post-employment benefits to OPERS for the year ended December 31, 2005, 2004, and 2003 was approximately \$2,851, \$1,856, \$2,801, respectively, equal to 100 percent of the contributions for the year.

The actuarial value of OPERS' net assets available for OPEB at December 31, 2004 was \$10.8 billion. The Actuarial Valuation as of December 31, 2004, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB, based on the actuarial cost method used, at \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

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.

In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

6. CASH AND INVESTMENTS

State statutes classify monies held by the Port Authority into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, 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 two 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.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. CASH AND INVESTMENTS (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies 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 savings or deposit accounts including passbook accounts.

Monies held by the Port Authority which are not considered active are classified as interim monies. Interim monies may 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 and 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 issuance's 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 other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the Port Authority;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio).

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. CASH AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of 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 Port 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 with delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at 105% 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. The securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities, subject to a repurchase agreement, must exceed the value of the principal by 2% and be marked to market daily.

Cash on Hand - At year end, the Port Authority had \$ 200 in undeposited cash on hand which is included on the statement of net assets.

Deposits - At year end the carrying amount of the Port Authority's deposits was \$132,268 and the bank balance was \$132,268. Of the bank balance, \$100,000 was covered by federal depository insurance and \$32,268 is collateralized by the financial institution's public entity deposit pool.

The Port Authority has no investments.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

7. CAPITAL ASSETS

	Balance 1/1/05	Additions	Deductions	Balance 12/31/05
Land	\$ 38,496	\$ -	\$ -	\$ 38,496
Master Plan	50,318	-	-	50,318
Harbor Plat Maps	4,694	-	-	4,694
Break Wall Extension	14,758	-	-	14,758
Landscaping	-	10,000	-	10,000
Marinas, Docks and Equipment	<u>2,558,458</u>	<u>71,011</u>	<u>-</u>	<u>2,629,469</u>
Total Capital Assets	\$ 2,666,724	\$ 81,011	\$ -	\$ 2,747,735
Accumulated Depreciation	<u>(1,167,019)</u>	<u>(117,646)</u>	<u>-</u>	<u>(1,284,665)</u>
Net Capital Assets	<u>\$ 1,499,705</u>	<u>\$ (36,635)</u>	<u>\$ -</u>	<u>\$ 1,463,070</u>

A summary of Marinas, Docks and Equipment capital assets at December 31, 2005 follows:

Lagoon Marina	\$ 240,000
Public Dock	537,079
Port Conneaut Marina and Yacht Club	530,867
Site improvements	90,283
Building and improvements	227,950
Street improvements	57,974
Leasehold improvements - Broad Street Extension	182,015
Public Dock engineering	64,331
Dock improvements	156,269
Observation deck	6,279
Machinery and equipment – security	24,193
Machinery and equipment	109,393
Office equipment and furniture	2,727
Launching ramp	166,366
Fuel dock	20,000
Boat Launch – control office	190,429
Pump-out station	<u>23,314</u>
Total	\$ <u>2,629,469</u>

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

8. BUDGETARY ACTIVITY

2005 Budgeted vs. Actual Budgetary Expenditures

	<u>Appropriations</u>	<u>Cash Basis Expenditures</u>	<u>Variance</u>
Operating	<u>\$ 315,800</u>	<u>\$ 322,540</u>	<u>\$ (6,740)</u>

9. RISK MANAGEMENT

The Port Authority belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better-rated carriers, except for the 5% portion retained by the Plan. With policies effective September 1, 2003 and after, the Plan pays 5% of the casualty losses up to \$25,000 and 5% of the property losses up to \$50,000. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$ 5,470,791</u>	<u>\$ 4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

10. CHANGE IN ACCOUNTING PRINCIPLES

In 2005, the Port Authority Governmental Accounting Standards Board Statement Number 40, "Deposit and Investment Risk Disclosures." The implementation of this statement had only had an effect on the notes to the financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Conneaut Port Authority
Ashtabula County
P.O. Box 218
Conneaut, Ohio 44030

To the Board of Trustees:

We have audited the financial statements of the Conneaut Port Authority, Ashtabula County, Ohio (Port Authority), a component unit of the City of Conneaut, as of and for the year ended December 31, 2005, and have issued our report thereon dated October 26, 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the Port 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 Port Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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 Port 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 Port Authority's financial statements that is more than inconsequential will not be prevented or detected by the Port Authority's internal control. We consider the deficiencies described in the accompanying Schedule of Findings, items 05-CPA-001 and 002 to be significant deficiencies in internal control over financial reporting.

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 Port 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

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, grant agreements and other matters, 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 or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 05-CPA-001 and 002.

The Port Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Port Authority's responses and, accordingly, we express no opinion on them.

We also noted other matters that we have reported to management of the Port Authority in a separate letter dated October 26, 2007.

This report is intended solely for the information and use of the finance committee, management and the Board, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
October 26, 2007

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

For the Year Ended December 31, 2005

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 05-CPA-001

NONCOMPLIANCE CITATION AND MATERIAL WEAKNESS

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state above that a 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 the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Port Authority can authorize the drawing of a warrant for the payment of the amount due. The Port Authority has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less that \$3,000 may be paid by the fiscal officer without a resolution 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 expenditure by the Port Authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of 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 – The Port Authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line items appropriation.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

For the Year Ended December 31, 2005

SCHEDULE OF FINDINGS – (Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 05-CPA-001- (continued)

The Port Authority did not certify expenditures. Purchase orders were not issued and therefore not encumbered. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 Port 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 Port Authority. When prior certification is not possible, "then and now" certification should be used.

Port Authority's Course of Action

The Port Authority will certify purchases according to Section 5705.41(D). Previously, the auditor of state allowed a "cover" sheet attached to the invoice as a form of purchase order. Subsequently, prenumbered purchase orders were intended to be utilized, but were not in all instances.

FINDING NUMBER 05-CPA-002

NONCOMPLIANCE CITATION AND MATERIAL WEAKNESS

Ohio Administrative Code Section 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2005, not all collected receipts were posted to the financial records timely, nor were several voided checks posted timely. Upon further investigation, we noted that the Port Authority posts monthly adjustments to the monthly records that are presented to the Board. When these reports were transferred to the bookkeeper, the adjustments were not included in those reports. The errors between the Port Authority records and the bookkeeper's records were corrected when the annual financial statements were prepared for the report in 2007. Although management stated that the adjustments were identified and posted in the monthly financial reports presented to the Board, we recommend that management and the bookkeeper ensure all reports and corresponding monthly adjustments are transferred accurately. Also, we recommend that all reports be compared on a monthly basis to ensure that all records are consistent and that annual reports are prepared accurately and timely.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

For the Year Ended December 31, 2005

SCHEDULE OF FINDINGS – (Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 05-CPA-002- (continued)

Port Authority's Course of Action

The adjustments were caught when management was preparing the monthly financial statements. The fuel dock receipts were entered on the port authority's computer. Management also included interest income and service charges on the monthly financial statements. This was an isolated incident, not ongoing. The voided checks were corrected and entered in the port authority's system before preparing the financial statements in 2007. Between backups to the bookkeeper's computer, when she restored it, the adjustments were inadvertently erased. Management is now handling everything and there is only one system being used. There will not be computer glitches. Management will update adjustments monthly.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2004 reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

CONNEAUT 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
NOVEMBER 29, 2007