CANTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

PORT AUTHORITY
ASHTABULA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Ashtabula County Port Authority, prepared by Canter and Company, for the audit period January 1, 2008 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 11, 2009

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PORT AUTHORITY
ASHTABULA COUNTY

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CANTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT

Port Authority
Ashtabula County
77 North Chestnut
Jefferson, OH 44047

To the Board of Directors:

We have audited the accompanying financial statements of the Port Authority, Ashtabula County, (the Authority), as of and for the year ended December 31, 2008. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Authority's larger (i.e. major) funds separately. While the Authority does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Authority has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2008, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2008, or their changes in financial position or cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Port Authority, Ashtabula County, as of December 31, 2008, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2009, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Canter & Company

July 17, 2009

PORT AUTHORITY
ASHTABULA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008
Cash Receipts:	
Service Revenue	$1,271,904
Operating Grants	1,307,391
Bank Interest Income	7,357
Other Receipts	9,525
Total Cash Receipts	2,596,177
Cash Disbursements:	
Current:	
Plant C Expenses	1,029,624
Plant C Revitalization Project Expenses	1,213,904
Principal Payment on Debt	115,791
Interest Payment on Debt	86,576
Advertising and Promotion	2,215
Bank Charges	710
Contracted Services	1,500
Business Expenses	200
Dues and Subscriptions	5,450
Employee Expenses	38,314
Insurance	4,759
Office Expenses	1,752
Professional Services	25,874
Rent	1,200
Telephone Expense	1,842
Total Cash Disbursements	2,529,711
Total Receipts Over Disbursements	66,466
Fund Cash Balances, January 1	516,395
Fund Cash Balances, December 31	**$582,861**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Port Authority of Ashtabula County, (the Authority) was created pursuant to Sections 4582.22 through 4582.59, 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.

The Port Authority Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Ashtabula County Commissioners. Currently, seven Directors serve on the Board.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements system of accounting. The Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Authority's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Authority's funds are held in checking and savings accounts.

D. Fund Accounting

The Authority has created a single type of fund and a single fund within that type. This fund accounts for the resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The fund type which the Authority uses is described below:

1. Proprietary Fund Type

This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the Authority is an Enterprise Fund.

Enterprise Fund – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

E. Budgetary Process

The Ohio Revised Code requires that the fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations and appropriations may not exceed estimated resources. The primary level of budgetary control is at the function level for the Authority and the Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made.

A summary of 2008 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2008
Demand deposits	$582,861
Total	$582,861

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2008 is as follows:

2008 Budgeted vs. Actual Receipts

Budgeted Receipts	Actual Receipts	Variance
$2,660,057	$2,596,177	($63,880)

2008 Budgeted vs. Actual Budgetary Expenditures

Appropriation Authority	Budgetary Expenditures	Variance
$2,660,035	$2,529,711	$130,324

NOTE 4 - RISK MANAGEMENT

The 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 5 - OPERATING-TYPE LEASE

The Port Authority leases space on a month-to-month operating lease. Lease expense for the year ended December 31, 2008 was $1,200.

NOTE 6 - LONG-TERM DEBT

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

Issue	Outstanding 12/31/07	Additions	(Reductions)	Outstanding 12/31/08
Long-Term Note Payable				
North Bend Sewer Extension - 0%	$80,000	$0	$0	$80,000
OWDA Loan				
Purchase & Improvement - Plant C - 3.0%	1,750,056	0	(115,791)	1,634,265
Other Long-Term Obligations				
Accrued Mineral Rights Payable - n/a	13,362	0	0	13,362
Total Long-Term Obligations	$1,843,418	$0	($115,791)	$1,727,627

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.

NOTE 7 - 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. 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.

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
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 monthly operating fees were recorded during 2008 and are reflected on the statement of cash receipts, cash disbursements, and changes in fund cash balances as service revenue.

NOTE 8 - 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".

NOTE 9 - PLANT C REVITALIZATION PROJECT

In March of 2008, the Port Authority finalized a $3,000,000 grant from the Clean Ohio Council. The Clean Ohio Revitalization Fund grant was awarded to assist the Port Authority with the cleanup and remediation of hazardous substances and/or petroleum at Plant C.

The total cost of the revitalization project is estimated at $6,163,000 and the grant was contingent upon the Port Authority providing matching funds of at least 25 percent of the estimated total cost of the project. The Port Authority provided matching funds from the following:

Source	Amount
Ashtabula County Port Authority	$1,583,037
First Energy	1,129,963
Industrial Site Improvement Fund Grant	
(Secured through the Ohio Department of Development)	450,000
Total Matching Requirement	$3,163,000

NOTE 10 – SUBSEQUENT EVENTS

A. - On January 21, 2009, the Port Authority received a reimbursement from the State of Ohio in the amount of $516,226 under the terms of its Clean Ohio Revitalization Project grant. The original request for reimbursement of expenditures was submitted by the Port Authority on December 18, 2008.

B. - On July 9, 2009, the Board of County Commissioners met in regular session to discuss the settlement agreement between Ashtabula County and the Port Authority regarding the $80,000 North Bend sewer extension project. Under the original settlement agreement, the Port Authority was to pay the County $2,222 per acre for each acre of Industrial Park property sold, as repayment of the sewer debt.

It has been decided to use tax increment financing (TIF) funds collected from PlastPro 2000 and Veitsch-Radex, America, Inc. (two tenants in the Industrial Park) to repay the debt owed to the County. Ashtabula County resolution number 2009-285 reads as follows; “moneys accumulated in the County’s TIF accounts for PlastPro 2000 and Veitsch-Radex America, Inc., which total $66,732.86, will be transferred to the Ashtabula County Department of Environmental Services and be considered full payment of the debt incurred. The Ashtabula County Port Authority will no longer be held accountable for said debt and the settlement agreement will be considered satisfied”.

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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
Jefferson, Ohio 44047

To the Board of Directors:

We have audited the financial statements of the of the Port Authority, Ashtabula County, (the Authority) as of and for the year ended December 31, 2008 and have issued our report thereon dated July 17, 2009, wherein we noted the Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 accounting practices the Auditor of State prescribes 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated July 17, 2009.

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

Canter & Company

CANTER & COMPANY

Poland, Ohio

July 17, 2009

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
SEPTEMBER 24, 2009