

CONNEAUT PORT AUTHORITY

ASHTABULA COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2009

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



Dave Yost • 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, 2009 through December 31, 2009. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 15, 2011

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CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY, OHIO
Audit Report
For the Year ended December 31, 2009

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1-2
Management's Discussion and Analysis	3-7
Statement of Fund Net Assets – Proprietary Fund	8
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	9
Statement of Cash Flows – Proprietary Fund	10
Notes to the Financial Statements	11-19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	20-21
Schedule of Prior Audit Findings	22

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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), as of and for the year ended December 31, 2009, 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, 2009, 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 7 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 June 24, 2011 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

Charles E. Harris & Associates, Inc.

June 24, 2011

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2009

The discussion and analysis of the Conneaut Port Authority's financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2009. 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 notes to the financial statements to enhance their understanding of the Port Authority's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2009 are as follows:

Net assets of business-type activities decreased by \$85,966 which represents a 6.2% decrease from 2008.

Total assets of business-type activities decreased \$121,698, which represents a 7.5% decrease from 2008.

Total liabilities of business-type activities decreased by \$35,732, which represents a 14.1% decrease from 2008. The decrease was due to a significant repayment on debt balances during the year.

Total cash and cash equivalents of business-type activities increased \$71,148 or 269% due to the timing of the grant expenditures payments and the related funding.

Capital assets, net of depreciation of decreased \$79,555, or 5.9%.

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 Conneaut Port Authority as an entire operating entity.

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

REPORTING THE CONNEAUT PORT AUTHORITY AS A WHOLE

The Port Authority's single fund is an enterprise fund with reporting focused 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 charge to external users.

While this document contains information about the fund used by the Port Authority to provide services to its customers, the view of the Port Authority as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The financial statements answer this question. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis 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.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2009

REPORTING THE CONNEAUT PORT AUTHORITY'S MOST SIGNIFICANT FUNDS

The Port Authority utilizes only one propriety fund to account for charges to customers for services provided such as dock rental or boat launching fees.

THE CONNEAUT PORT AUTHORITY AS A WHOLE

Recall that the Statement of Fund Net Assets looks at the Port Authority as a whole. Table 1 provides a summary of the Port Authority's net assets for 2009 compared to 2008.

**TABLE 1
NET ASSETS**

	Business-type Activities	
	2009	2008
ASSETS		
Current and Other Assets	\$ 114,809	\$ 156,952
Capital Asset, Net of Depreciation	1,392,522	1,472,077
Total Assets	1,507,331	1,629,029
LIABILITIES		
Current and Other Liabilities	98,100	203,168
Long-term Liabilities due within One Year	83,253	50,000
Long-term Liabilities due in more than One Year	36,083	-
Total Liabilities	217,436	253,168
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,392,522	1,422,077
Unrestricted	(102,627)	(46,216)
Total Net Assets	\$ 1,289,895	\$ 1,375,861

Total assets decreased \$121,698. Equity in pooled cash and cash equivalents increased \$71,148. This decrease reflects the cash flows of grant expenditures around prior year end.

Net assets of the Port Authority's business-type activities decreased \$85,966.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2009

Table 2 shows the changes in net assets for the year ended December 31, 2009, compared to the year ended December 31, 2008.

**TABLE 2
CHANGES IN NET ASSETS**

	2009	2008
OPERATING REVENUES		
Dockage	\$ 320,759	\$ 316,249
Property Lease	30,780	31,992
Other Revenue	129	4,403
Total Operating Revenues	351,668	352,644
OPERATING EXPENSES		
Salaries and Benefits	101,284	81,561
Contractual Services	151,248	100,610
Materials and Supplies	57,593	17,857
Depreciation Expense	142,067	125,711
Other Expenses	8,552	5,067
Total Operating Expenses	460,744	330,806
NON-OPERATING REVENUES(EXPENSES)		
Total Non-operating		
Net Revenues (Expenses)	23,110	(8,085)
CHANGE IN NET ASSETS	(85,966)	13,753

Total Operating Expenses increased \$129,938, or 39.3% due to significant maintenance and repair projects undertaken by Port Authority employees.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

	Balance 12/31/09	Balance 12/31/08
<i>Capital Assets, not being depreciated:</i>		
Land	\$ 38,496	\$ 38,496
Land Improvements	20,000	20,000
Other Nondepreciable Assets	55,012	55,012
<i>Total Nondepreciable Capital Assets</i>	113,508	113,508
 <i>Capital Assets, being depreciated:</i>		
Building and Improvements	2,448,966	2,434,824
Dock Improvements	498,553	502,778
Vehicles	6,824	6,824
Machinery and Equipment	124,034	71,440
<i>Total Depreciable Capital Assets</i>	3,078,377	3,015,866
 <i>Less Accumulated Depreciation:</i>		
Building and Improvements	(1,666,796)	(1,562,855)
Dock Improvements	(63,367)	(36,773)
Vehicles	(6,824)	(8,190)
Machinery and Equipment	(62,376)	(49,479)
<i>Total Depreciable Capital Assets</i>	(1,799,363)	(1,657,297)
<i>Total Depreciable Capital Assets, Net</i>	1,279,014	1,358,569
<i>Total Capital Assets, Net</i>	\$ 1,392,522	\$ 1,472,077

Capital assets decreased \$79,555 due to recording depreciation expense, despite \$66,736 in current year additions to assets.

DEBT

At December 31, 2009 the Port Authority had \$44,692 in a note payable, due in four years. In addition, the Port Authority has \$74,713 payable on the line of credit, used for operating expenses.

THE FUTURE

The Port Authority is strong financially; planning to continue with the grant-funded dredging project and pumping system to continually pump sand out. The Port Authority will continue to pursue economic growth.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2009

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 Joseph Raisian, Treasurer, P.O. Box 218, Conneaut, Ohio 44030, 440-593-1300, or e-mail at cpaadmin@conneautportauthority.com.

Conneaut Port Authority
Ashtabula County
Statement of Fund Net Assets
Propriety Fund
December 31, 2009

Assets

Cash	\$ 97,606
Prepaid Expenses	11,225
Gasoline Inventory	5,518
Other Current Assets	460
Nondeprciable Capital Assets	113,508
Depreciable Capital Assets, Net	1,279,014

Total Assets **1,507,331**

Liabilities

Accounts Payable	10,253
Accrued Wages and Benefits	7,743
Deferred Income	78,610
Deposits on Future Revenue	865
Current Portion of Long-term Debt	8,540
Accrued Interest Payable	629
Line of Credit	74,713
Long-term Debt, net of current portion	36,083

Total Liabilities **217,436**

Net Assets

Invested in Capital Assets	1,392,522
Unrestricted	(102,627)

Total Net Assets **\$ 1,289,895**

See accompanying notes to the basic financial statements.

Conneaut Port Authority
*Statement of Revenues, Expenses
and Changes in Fund Net Assets*
Proprietary Fund
For the Year Ended December 31, 2009

Operating Revenues	
Dockage	\$ 320,759
Property Lease	30,780
Other Revenues	<u>129</u>
<i>Total Operating Revenue</i>	<u>351,668</u>
Operating Expenses	
Salaries and benefits	101,284
Contractual services	98,551
Insurance	19,500
Utilities	33,197
Materials and supplies	57,593
Depreciation expense	142,066
Other	<u>8,553</u>
<i>Total Operating Expenses</i>	<u>460,744</u>
<i>Operating Loss</i>	(109,076)
Non-Operating Revenues (Expenses)	
Contributions	1,109
Interest income	93
Grant income	264,143
Other non-operating income	14,867
Gain on sale of assets	141
Unrealized gain on inventory	2,275
Grant expenses	(251,293)
Interest expense	<u>(8,225)</u>
<i>Total Non-operating Revenues/ (Expenses)</i>	<u>23,110</u>
<i>Change in Net Assets</i>	(85,966)
<i>Net Assets Beginning of Year</i>	<u>1,375,861</u>
<i>Net Assets End of Year</i>	<u><u>\$ 1,289,895</u></u>

See accompanying notes to the basic financial statements.

Conneaut Port Authority
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2009

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 363,063
Cash Payments for Goods and Services	(208,335)
Cash Payments to and on Behalf of Employees	<u>(99,034)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>55,694</u>
 Cash Flows from Capital and Related Financing Activities:	
Cash Received from Grants and Contributions	394,826
Cash Payments for Grant Expenditures	(251,293)
Cash from Line of Credit and Long-term Debt	273,023
Principal Paid on Long-term Debt and LOC	(329,272)
Interest Paid on Debt	(9,553)
Cash Received from Sale of Capital Assets	141
Purchase of capital assets	(62,511)
Interest Income	<u>93</u>
<i>Net Increase in Cash and Cash Equivalents</i>	71,148
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>26,458</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 97,606</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
<i>Operating Loss</i>	\$ (109,076)
 Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	142,066
(Increase) Decrease in Assets:	
Prepaid Expenses	1,318
Other Current Assets	(460)
Increase (Decrease) in Liabilities:	
Accounts Payable	6,840
Accrued Wages and Benefits	1,950
Deferred Income	12,831
Deposits on Future Dockage	<u>225</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 55,694</u></u>

See accompanying notes to the basic financial statements.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2009

1. DESCRIPTION OF CONNEAUT PORT AUTHORITY

The Conneaut Port Authority, Ashtabula County, (Port Authority) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority for the City of Conneaut is directed by a seven-member Board appointed by the City Manager with the approval of Conneaut 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 operates two marinas and leases other lakefront facilities at the Port to private entities. The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities. The Port Authority has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activity and enterprise fund, subject to this same limitation. The Port Authority has elected not to apply these FASB guidance. All transactions are accounted for in a single enterprise fund.

A. Basis of Presentation

The Port Authority accounts for all transaction in a single enterprise fund. The financial statements consist of a statement of net assets, statement of revenues, expenses and changes in net assets and a statement of cash flows.

B. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All asset and liabilities associated with the operation this fund are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the Port Authority finances and meets the cash flow needs of its activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The single proprietary fund used the accrual basis of accounting.

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

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the Port Authority receives value without directly giving equal value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the 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 year when use is first permitted, matching requirements, in which the Port Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Deferred Revenue Deferred revenue arises when assets (cash) are recognized before revenue recognition criteria have been satisfied.

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

D. Cash and Cash Equivalents

All monies of the Port Authority are maintained in one bank account. Investment procedures are restricted by the provisions of the Ohio Revised Code. During 2009, the Port Authority maintained no investment accounts.

For the purposes of the statement of cash flows, all bank deposits, including investments with maturity of less than three months are considered to be cash equivalents.

E. Inventory

Inventories are presented at cost on a the first-in, first-out basis and expenses when used.

F. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Port Authority maintains a capitalization threshold of \$500. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred on related debt during the construction of capital assets is also capitalized.

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.

All capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	15 – 40 years
Equipment	3 – 10 years
Vehicles	5 – 20 years
Furniture and Fixtures	3 – 10 years

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

H. Operating Revenues

Operating revenues are those revenues generated directly from the primary activity of the proprietary fund. For the Port Authority, these revenues are dock rentals and property leases. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. Revenue and expenses which do not meet these definitions are reported as non-operating.

I. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Port Authority management and that are either unusual in nature or infrequent in occurrence. Neither type of activities occurred in 2009.

J. Estimates

The preparation of the 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. Actual results may differ from those estimates.

K. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code, requiring annual appropriations and estimated resources (estimated receipts plus cash of January 1), to be adopted by resolution of the Board. Both are subject to amendment by the Board during the year. The Port Authority maintains budgetary control by not permitting expenditures to exceed their respective appropriations and not allowing appropriations to exceed estimated resources.

Additionally, the Port Authority is required by Ohio Revised Code to encumber appropriations when purchase commitments are made. Encumbrances outstanding at year end are cancelled and appropriated again in the subsequent year.

3. 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 Port Authority Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2009

3. CASH AND INVESTMENTS (Continued)

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 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 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 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).

Protection of Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2009

3. 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.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that, in the event of the failure of the counterparty, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all of the Port Authority's bank balance of \$97,606 was insured.

The Port Authority has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Port Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the uninsured deposits being secured.

Investments

Investments are reported at fair value. As of December 31, 2009, the Port Authority had no investments.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2009

4. CAPITAL ASSETS

	Balance 12/31/08	Additions	Deductions	Balance 12/31/09
<i>Capital Assets, not being depreciated:</i>				
Land	\$38,496	-	-	\$38,496
Land Improvements	20,000	-	-	20,000
Other Nondepreciable Assets	55,012	-	-	55,012
<i>Total Nondepreciable Capital Assets</i>	<u>113,508</u>	<u>-</u>	<u>-</u>	<u>113,508</u>
<i>Capital Assets, being depreciated:</i>				
Building and Improvements	2,434,824	\$14,142	-	2,448,966
Dock Improvements	502,778	-	(\$4,225)	498,553
Vehicles	6,824	-	-	6,824
Machinery and Equipment	71,440	52,594	-	124,034
<i>Total Depreciable Capital Assets</i>	<u>3,015,866</u>	<u>66,736</u>	<u>(4,225)</u>	<u>3,078,377</u>
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(1,562,855)	(103,941)	-	(1,666,796)
Dock Improvements	(36,773)	(26,594)	-	(63,367)
Vehicles	(8,190)	-	1,366	(6,824)
Machinery and Equipment	(49,479)	(12,897)	-	(62,376)
<i>Total Depreciable Capital Assets</i>	<u>(1,657,297)</u>	<u>(143,432)</u>	<u>1,366</u>	<u>(1,799,363)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>1,358,569</u>	<u>(76,696)</u>	<u>(2,859)</u>	<u>1,279,014</u>
<i>Total Capital Assets, Net</i>	<u>\$1,472,077</u>	<u>(\$76,696)</u>	<u>(\$2,859)</u>	<u>\$1,392,522</u>

5. LEASES

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

The Port Authority has entered into a fifty-year lease commencing July 1, 1989 through June 30, 2039, with the State of Ohio for submerged land at the lakefront. The annual lease amount is \$1, due and payable the first day of June of each year for property that does not generate revenues for the Port Authority. The Port Authority is in the process of negotiating and finalizing a lease agreement with the State of Ohio for submerged land that is used for the marinas, generating operating revenues.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2009

6. LONG-TERM DEBT

The Port Authority issued a loan in July, 2009, for the purchase of equipment. The changes in the debt are as follows:

Business-Type Activities	Interest	12/31/2008			12/31/2009	Due Within
	Rate	Balance	Additions	Deletions	Balance	One Year
Loan Payable -						
Conneaut Savings Bank	6.75%	\$ -	48,023	(3,331)	\$44,692	\$8,610
City of Conneaut	1.81%	50,000	-	(50,000)	-	-

The following is a summary of the future annual debt service and interest requirements on the loan:

Year Ending December 31,	Principal	Interest	Total
2010	\$8,610	\$2,752	\$11,362
2011	9,209	2,153	11,362
2012	9,846	1,517	11,363
2013	10,536	726	11,262
2014	6,491	77	6,568
	<u>\$44,692</u>	<u>\$7,225</u>	<u>\$51,917</u>

The Port Authority obtained a \$185,000 line of credit from Conneaut Savings Bank approximately 10 years ago. The line of credit has a fixed rate of 6% with an estimated payoff date of April 2012. The Port Authority makes monthly payment in excess of the monthly minimum amount. The balance of the line of credit at year-end was \$74,713.

7. DEFINED BENEFIT PENSION PLAN

Plan Description – The Port Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2009

7. DEFINED BENEFIT PENSION PLAN, *Continued*

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only with the traditional plan. The 2009 member contribution rates were 10.0% for members in State and local classifications. The Port Authority's contribution rate for 2009 was 14.0%.

The Port Authority's rate for pension benefits for 2009 was 7% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009. The Port Authority's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$10,486, \$8,868 and \$12,752 respectively; 89 percent has been contributed for 2009 and 100 percent for 2008 and 2007. There were no Port Authority employees in the member-directed plan for 2009.

8. POSTEMPLOYMENT BENEFITS

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, 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.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2009

8. POSTEMPLOYMENT BENEFITS, *Continued*

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.0 percent of covered payroll (17.63 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00 percent from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Port Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$4,299, \$4,434 and \$4,188 respectively; 100% has been contributed for 2009, 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

9. RISK MANAGEMENT

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the Port Authority contract with Love Insurance Company for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Coverage Limit</u>
Property	\$ 1,597,114
Inland Marine	\$ 5,000 – \$13,000
Liability	\$ 2,000,000
	\$ 4,000,000 aggregate

Settled claims have not exceeded this commercial coverage in any of the last three years. There has been no significant reduction in amounts of insurance coverage from 2008.

Workers' Compensation coverage is provided by the State of Ohio. The Port Authority pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 (the Port Authority), as of and for the year ended December 31, 2009, and have issued our report thereon dated June 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 opining on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Port Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Port Authority's financial statements will not be prevented or detected and timely corrected.

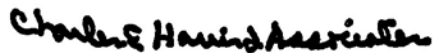
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

However, we noted certain matters that we have reported to management of the Port Authority in a separate letter dated June 24, 2011.

We intend this report solely for the information and use of the audit committee management and the Board of Trustees. We intend it for no one other than these specified parties.



Charles E. Harris and Associates, Inc.

June 24, 2011

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY, OHIO
For the Year Ended December 31, 2009**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
08-CPA-001	Ohio Rev. Code Section 5705.41(D)(1), failure to certify/appropriate the amount required for the order or contract.	No	Management letter comment



Dave Yost • 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
AUGUST 25, 2011**