

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Regular Audit
For the Year Ended December 31, 2013**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Conneaut Port Authority, Ashtabula County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2013. 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 1, 2014

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**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

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INDEPENDENT AUDITOR'S REPORT

June 27, 2014

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Port Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Port Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the 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, 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014 on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
December 31, 2013

The discussion and analysis of the Conneaut Port Authority's (the Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2013. 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 2013 are as follows:

Net position decreased by \$78,086 which represents a 5.7% decrease from 2012.

Total assets decreased \$61,398, which represents a 3.5% decrease from 2012.

Total liabilities increased \$16,688, which represents a 4.3% increase from 2012. The increase was due to a draw on the line of credit for grant match funds.

Total cash and cash equivalents increased \$26,761 or 64.9% due to the timing of operating receipts and expenditures.

Net Investment in Capital Assets decreased \$115,346, or 8.1%.

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 Net Position and Statement of Revenues, Expenses and Changes in Net Position 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 position, financial position and cash flows. An enterprise fund accounts for any activity for which a fee is charged 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 2013?" 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 position and the changes in net position. This change in net position 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.

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.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
December 31, 2013

THE CONNEAUT PORT AUTHORITY AS A WHOLE

Recall that the Statement of Net Position looks at the Port Authority as a whole. Table 1 provides a summary of the Port Authority's net position for 2013 compared to 2012.

**TABLE 1
NET POSITION**

	<u>2013</u>	<u>2012</u>
ASSETS		
Current and Other Assets	\$ 144,083	\$ 60,135
Capital Assets, Net of Depreciation	<u>1,555,480</u>	<u>1,700,826</u>
Total Assets	1,699,563	1,760,961
LIABILITIES		
Current and Other Liabilities	103,224	116,476
Long-term Liabilities due within One Year	89,940	30,000
Long-term Liabilities due in more than One Year	<u>210,000</u>	<u>240,000</u>
Total Liabilities	403,164	386,476
NET POSITION		
Net Investment In Capital Assets	1,315,480	1,430,826
Unrestricted	<u>(19,081)</u>	<u>(56,341)</u>
Total Net Position	<u>1,296,399</u>	<u>1,374,485</u>
Total Liabilities and Net Position	<u>\$ 1,699,563</u>	<u>\$ 1,760,961</u>

Total assets decreased \$61,398. Equity in pooled cash and cash equivalents increased \$26,761, due to the timing of receipts and expenditures.

Net position decreased \$78,086 which includes capital asset depreciation for the current year of \$171,832.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
December 31, 2013

Table 2 shows the changes in net position for the year ended December 31, 2013, compared to the year ended December 31, 2012.

**TABLE 2
CHANGES IN NET POSITION**

	2013	2012
OPERATING REVENUES		
Dockage	\$ 381,320	\$ 382,779
Property Lease	46,927	37,687
Other Revenue	1,535	276
Total Operating Revenues	429,782	420,742
OPERATING EXPENSES		
Salaries and Benefits	142,116	152,760
Contractual Services	42,440	33,602
Insurance	20,525	22,071
Utilities	36,006	36,872
Materials and Supplies	63,965	37,588
Depreciation Expense	171,832	155,479
Other Expenses	4,158	6,953
Total Operating Expenses	481,042	445,325
NON-OPERATING REVENUES(EXPENSES)		
Total Non-operating Net Revenues (Expenses)	(26,826)	140,612
CHANGE IN NET POSITION	\$ (78,086)	\$ 116,029

Total Operating Expenses increased \$35,717, or 8.0%, due to an increase of maintenance and repair projects.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
December 31, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

	2013	2012
<i>Capital Assets, not being depreciated:</i>		
Land	\$ 38,496	\$ 38,496
Land Improvements	31,021	31,021
Other Nondepreciable Assets	55,012	55,012
Work In Progress	-	-
<i>Total Nondepreciable Capital Assets</i>	124,529	124,529
 <i>Capital Assets, being depreciated:</i>		
Building and Improvements	2,512,397	2,512,397
Dock Improvements	1,154,740	1,144,670
Vehicles	16,823	16,823
Machinery and Equipment	149,528	133,112
<i>Total Depreciable Capital Assets</i>	3,833,488	3,807,002
 <i>Less Accumulated Depreciation:</i>		
Building and Improvements	(2,086,310)	(1,980,732)
Dock Improvements	(195,896)	(142,989)
Vehicles	(9,657)	(7,657)
Machinery and Equipment	(110,674)	(99,327)
<i>Total Depreciable Capital Assets</i>	(2,402,537)	(2,230,705)
<i>Total Depreciable Capital Assets, Net</i>	1,430,951	1,576,297
 <i>Total Capital Assets, Net</i>	\$ 1,555,480	\$ 1,700,826

Capital assets decreased \$145,346 due to the recording of current year depreciation, offset by \$26,486 in additional equipment and improvements. For additional information refer to Note 4 of the basic financial statements.

DEBT

At December 31, 2013 the Port Authority had \$240,000 in a long-term obligation to the City of Conneaut to re-pay notes issued on behalf of the Port Authority for dock improvements. The balance of the line of credit, used for operating expenses, was \$59,940 at year end. For additional information refer to Note 6 of the basic financial statements.

THE FUTURE

The Port Authority is strong financially; planning to continue with the capital improvements to the marinas and aggressively pursuing economic growth for the community.

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 Bruce Fleischmann, Treasurer, P.O. Box 218, Conneaut, Ohio 44030, 440-593-1300, or e-mail at cpadmin@conneautportauthority.com.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Statement of Net Position
December 31, 2013

Assets

Cash	\$ 67,998
Grants Receivable	55,770
Accounts Receivable	2,630
Prepaid Expenses	10,455
Gasoline Inventory	7,230
Nondepreciable Capital Assets	124,529
Depreciable Capital Assets, Net	<u>1,430,951</u>

Total Assets 1,699,563

Liabilities

Accounts Payable	1,600
Accrued Wages and Benefits	7,753
Unearned Revenue	90,790
Deposits on Future Revenue	2,380
Current Portion of Long-term Debt	30,000
Accrued Interest Payable	701
Line of Credit	59,940
Long-Term Debt, Net of Current Portion	<u>210,000</u>

Total Liabilities 403,164

Net Position

Net Investment In Capital Assets	1,315,480
Unrestricted	<u>(19,081)</u>

Total Net Position 1,296,399

Total Liabilities and Net Position \$ 1,699,563

See accompanying notes to the basic financial statements.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2013

Operating Revenues

Dockage	\$ 381,320
Property Lease	46,927
Other Revenues	<u>1,535</u>
<i>Total Operating Revenues</i>	<u>429,782</u>

Operating Expenses

Salaries and Benefits	142,116
Contractual Services	42,440
Insurance	20,525
Utilities	36,006
Materials and Supplies	63,965
Depreciation Expense	171,832
Other	<u>4,158</u>
<i>Total Operating Expenses</i>	<u>481,042</u>
<i>Operating (Loss)</i>	(51,260)

Non-Operating Revenues (Expenses)

Contributions	935
Grant Income	118,969
Other Non-Operating Income	14,460
Unrealized Gain on Inventory	180
Grant Expenses	(154,850)
Interest Expense	<u>(6,520)</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(26,826)</u>
<i>Change in Net Position</i>	(78,086)
<i>Net Position, Beginning of Year</i>	<u>1,374,485</u>
<i>Net Position, End of Year</i>	<u><u>\$ 1,296,399</u></u>

See accompanying notes to the basic financial statements.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 442,310
Cash Payments for Goods and Services	(172,068)
Cash Payments to and on Behalf of Employees	(144,667)
	125,575
<i>Net Cash Provided by Operating Activities</i>	
Cash Flows from Capital and Related Financing Activities:	
Cash Received from Grants and Contributions	64,134
Cash from Line of Credit and Long-term Debt	154,850
Principal Paid on Long-Term Debt and Line of Credit	(144,597)
Interest Paid on Debt	(6,325)
Cash Received from Insurance Claim	14,460
Purchase of Capital Assets	(26,486)
Grant Expenses	(154,850)
	(98,814)
<i>Net Cash Used in Operating Activities</i>	
<i>Net Increase in Cash and Cash Equivalents</i>	26,761
<i>Cash and Cash Equivalents at Beginning of Year</i>	41,237
	67,998
<i>Cash and Cash Equivalents at End of Year</i>	\$ 67,998
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
<i>Operating Loss</i>	\$ (51,260)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	171,832
(Increase) Decrease in Assets:	
Accounts Receivable	(2,630)
Prepaid Expenses	1,393
Increase (Decrease) in Liabilities:	
Accounts Payable	(3,737)
Accrued Wages and Benefits	(2,551)
Unearned Income	12,213
Deposits on Future Revenue	315
	125,575
<i>Net Cash Provided by Operating Activities</i>	\$ 125,575

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF CONNEAUT PORT AUTHORITY

The Conneaut Port Authority, Ashtabula County, (the 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. The Port Authority is a component unit of the City of Conneaut.

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.

A. Basis of Presentation

The Port Authority accounts for all transaction in a single enterprise fund. The financial statement consist of a statement of net position, statement of revenues, expenses and changes in net position 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 of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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.

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.

Unearned Revenue Unearned 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Change in Accounting Principles

For 2013, the Port Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities."

The objective of GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011, and the implementation of this Statement did not result in any change in the Port Authority's financial statements.

The objective of GASB Statement No. 61, "The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34", is to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012 and have been implemented by the Port Authority.

The objective of GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", is to incorporate into the GASBs authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011, and the implementation of this Statement did not result in any change to the Port Authority's financial statements.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, and have been implemented by the Authority; however, there was no effect on the financial statements of the Port Authority.

E. 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 2013, 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.

F. Inventory

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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

H. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital asset, 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 position is 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.

I. 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.

J. 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. No extraordinary or special items occurred within the audit period.

K. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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.

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.

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.

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;

3. CASH AND INVESTMENTS (Continued)

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).

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 \$73,145 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 City 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, 2013, the Port Authority had no investments.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2013

4. CAPITAL ASSETS

	Balance 12/31/12	Additions	Deductions	Balance 12/31/13
Capital Assets, not being depreciated:				
Land	\$ 38,496	\$ -	\$ -	\$ 38,496
Land Improvements	31,021	-	-	31,021
Other Nondepreciable Assets	55,012	-	-	55,012
Work In Progress	-	-	-	-
<i>Total Nondepreciable Capital Assets</i>	<u>124,529</u>	<u>-</u>	<u>-</u>	<u>124,529</u>
Capital Assets, being depreciated:				
Building and Improvements	2,512,397	-	-	2,512,397
Dock Improvements	1,144,670	10,070	-	1,154,740
Vehicles	16,823	-	-	16,823
Machinery and Equipment	133,112	16,416	-	149,528
<i>Total Depreciable Capital Assets</i>	<u>3,807,002</u>	<u>26,486</u>	<u>-</u>	<u>3,833,488</u>
Less Accumulated Depreciation:				
Building and Improvements	(1,980,732)	(105,578)	-	(2,086,310)
Dock Improvements	(142,989)	(52,907)	-	(195,896)
Vehicles	(7,657)	(2,000)	-	(9,657)
Machinery and Equipment	(99,327)	(11,347)	-	(110,674)
<i>Total Depreciable Capital Assets</i>	<u>(2,230,705)</u>	<u>(171,832)</u>	<u>-</u>	<u>(2,402,537)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>1,576,297</u>	<u>(145,346)</u>	<u>-</u>	<u>1,430,951</u>
Total Capital Assets, Net	<u>\$ 1,700,826</u>	<u>\$ (145,346)</u>	<u>\$ -</u>	<u>\$ 1,555,480</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.

6. LONG-TERM OBLIGATIONS

Changes in the Port Authority's long term obligations were as follows:

Business-Type Activities	Interest Rate	12/31/2012 Balance	Additions	Deletions	12/31/2013 Balance	Due Within One Year
City of Conneaut	1.54%	\$ 270,000	\$ -	\$ (30,000)	\$ 240,000	\$ 30,000

The City issued notes on behalf of the Port Authority for dock improvements. All long term obligations will be paid with dock rental receipts.

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

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2013

6. LONG-TERM OBLIGATIONS (Continued)

Year Ending December 31,	Principal	Interest	Total
2014	\$ 30,000	\$ 3,696	\$ 33,696
2015	30,000	3,237	33,237
2016	30,000	2,772	32,772
2017	30,000	2,310	32,310
2018	30,000	1,848	31,848
2019-2021	90,000	2,772	92,772
	\$ 240,000	\$ 16,635	\$ 256,635

7. LINE OF CREDIT

The Authority also has a line of credit established with Conneaut Savings Bank in the amount of \$350,000, with a variable interest rate; currently 3%. At December 31, 2013, the balance on this line of credit was \$59,940.

8. 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% 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.

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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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 2013, 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 within the traditional plan. The 2013 member contribution rates were 10.0% of covered payroll for members in State and local classifications. The Port Authority’s contribution rate for 2013 was 14.0% of covered payroll.

The Port Authority’s required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011 were \$17,001, \$20,222 and \$18,869 respectively; 92% has been contributed for 2013 and 100% for 2012 and 2011. There were no Port Authority employees in the member-directed plan for 2013.

9. POST-EMPLOYMENT BENEFITS

Plan Description – Ohio Public Employees Retirement System (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 and the combined plan is a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost sharing multiple employer defined benefit post-employment healthcare 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.

In order 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. 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. 45.

The Ohio Revised Code permits, but does not mandate, 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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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 the statutory authority requiring public employers to fund post-retirement health care plan through their contributions to OPERS. A portion of each employer's contribution is set aside for the funding of post-employment health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0% of covered payroll and public safety and law enforcement employers contributed at 18.0%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees 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 health care for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0 % during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was lowered to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay of a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Port Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$1,214, \$5,777 and \$5,391 respectively; 92% has been contributed for 2013 and 100% for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

10. RISK MANAGEMENT

The Port Authority is exposed to various risks of property and casualty losses, and injuries to employees.

The Port Authority insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Port Authority belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Port Authority’s share of these unpaid claims collectible in future years is approximately \$15,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>
<u>2013</u>
\$17,986

10. RISK MANAGEMENT (CONTINUED)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

11. CONTINGENCIES

Grants

Amounts grantor agencies pay to the Port Authority are subject to audit and adjustment by the grantor, principally the Federal government. Grantors may require refunding any disallowed cost or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recapture amounts would not have a material adverse effect on the overall financial position at December 31, 2013.

Litigations and Claims

In the normal course of operations, the Port Authority may be subject to litigation and claims. At December 31, 2013, the Port Authority was not aware of any such matters that would have a material effect on the financial statements.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

June 27, 2014

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Conneaut Port Authority**, Ashtabula County, (the Port Authority), a component unit of the City of Conneaut, as of and for the years ended December 31, 2013, and the related notes to the basic financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated June 27, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Port Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Port Authority's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Port Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Port Authority's management in a separate letter dated June 27, 2014.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Port Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio



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 14, 2014**