



**Auditor of State
Betty Montgomery**

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Conneaut Port Authority
Ashtabula County
PO Box 218
Conneaut, Ohio 44030

To the Board of Trustees:

We have audited the accompanying basic financial statements of Conneaut Port Authority, Ashtabula County (the Port Authority), a component unit of the City of Conneaut, as of and for the year ended December 31, 2004, 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 basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Conneaut Port Authority, as of December 31, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States requires. We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 11, 2006

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

The discussion and analysis of the Port Authority for the City of Conneaut's financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2004. 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 transmittal letter, and the basic financial statements to enhance their understanding of the city's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2004 are as follows:

Net assets increased by \$18,354 which represents a 1.4% increase from 2003.

Total assets decreased \$ 25,590, which represents a 1.5% decrease from 2003.

Total liabilities decreased by \$ 43,944, which represents a 12% decrease from 2003. The decrease was due to the line of credit payoff in January, 2004.

Total cash and cash equivalents increased \$ 102,001 or 96.6%.

Capital assets (before depreciation) increased \$ 230,647 or 10%.

On an accrual basis, Port Authority revenue has remained level over the past five years with an increase of 14% for the previous year and an increase of 2% for the current year.

USING THIS ANNUAL FINANCIAL REPORT

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

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

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

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

While this document contains information about the funds used by the Port Authority to provide services to its members, the view of the Port Authority as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This type basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Port Authority's net assets and the changes in those assets. This change in assets is important because it tells the reader whether for the Port Authority as a whole, the financial position of the Port Authority has improved or diminished. However, in evaluating the overall position of the Port Authority, non-financial information such as entering into a management agreement for the operating of the ramps for 2003 to the Port Authority operating for 2004, there was also a change in the lessee of the fuel dock for 2003 and the Port Authority's capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the Port Authority reports business-type activities.

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

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

THE PORT AUTHORITY FOR CITY OF CONNEAUT AS A WHOLE

Recall that the Statement of Net Assets looks at the Port Authority as a whole. Table 1 provides a summary of the Port Authority's net assets for 2004 compared to 2003.

**(TABLE 1)
NET ASSETS**

	<u>2004</u>	<u>2003</u>
ASSETS		
Current and Other Assets	\$ 221,469	\$ 202,972
Capital Assets, Net	<u>1,499,705</u>	<u>1,543,792</u>
Total assets	<u>1,721,174</u>	<u>1,746,764</u>
LIABILITIES		
Current and Other Liabilities	(63,826)	(118,861)
Long-Term Liabilities:		
Due within One Year	(76,684)	(20,000)
Due in More Than One Year	<u>(224,407)</u>	<u>(270,000)</u>
Total liabilities	<u>(364,917)</u>	<u>(408,861)</u>
NET ASSETS:		
Unrestricted	<u>\$1,356,257</u>	<u>\$1,337,903</u>

Total assets decreased \$ 25,590. Equity in pooled cash and cash equivalents increased \$ 102,001. This increase reflects profits for the year.

The net assets of the Port Authority increased by \$ 18,354. This is a reflection of an increase in launch ramp collections.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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(Continued)**

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

Table 2 shows the changes in net assets for the year ended December 31, 2004.

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

	<u>2004</u>	<u>2003</u>
REVENUE		
Dock Rentals:		
Jet ski slip	\$ 5,625	\$ 5,550
Lagoon	113,920	107,140
PCMYC	102,090	103,475
Club Fee - PCMYC	13,486	-
Shore power-PCMYC	2,715	-
Extra Utility – PCMYC	775	-
Camping	1,200	-
Transient dock	1,532	1,640
Lease income	26,343	31,362
Launch ramp – daily fees	38,920	17,421
ODNR restroom grant	-	168,958
Plan funds	-	1,050
Vending income	175	-
Interest income	1,431	836
Donation – Lagooners	-	1,638
Grant – Emergency dredging	159,540	-
Grant – Website development	-	687
Submerged land lease – state	3,555	-
Submerged land lease – other	101	59
BWC – refund	7	10
Sale of booth – launch ramp	50	-
Sale of scrap – “C” dock	98	-
Sale of scrap – iron	68	-
	<u>471,631</u>	<u>439,826</u>
Total revenue		

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

	<u>2004</u>	<u>2003</u>
EXPENSE:		
Salaries	16,000	14,800
Wages – dock rentals	31,969	22,948
Taxes – medicare	701	546
Taxes – state unemployment	387	263
Taxes – workers' compensation	2,027	1,404
OPERS	6,555	7,590
Repairs and maintenance	20,865	22,401
Lawn care	6,900	-
Dredging	160,165	21,920
Seaweed control	3,548	-
Operating supplies	4,408	4,426
Gas and oil	1,010	737
Trash removal	6,394	4,691
Utilities	18,448	14,162
Telephone	1,646	1,919
Insurance	20,808	20,776
Taxes – real estate	1,555	1,498
Office supplies	2,429	1,007
Seminars and training	-	30
Meetings and travel	1,148	476
Dues and subscriptions	319	62
Legal and professional	9,270	11,436
Architect and engineering	1,003	-
Advertising and promotional	868	985
Employee bonding	83	64
Security	6,701	3,607
Contract labor	265	1,300
Licenses and permits	995	969
Postage and delivery	95	459
Bank service charge	544	433
Depreciation	113,214	104,042
Dues reimbursement – PCYC	4,650	4,150
Submerged land lease	-	2,000
Lease expense	-	2,100
Launch ramp expense	210	-
Interest expense	8,097	5,883
Penalty	-	39
Total expenses	<u>453,277</u>	<u>279,123</u>
 Change in Net Assets	 <u>\$ 18,354</u>	 <u>\$160,703</u>

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

The Port Authority generated revenue of \$471,631 and had expenses of \$453,277.

THE PORT AUTHORITY'S FUND

Information about the Port Authority's fund begins on page 14. This fund is accounted for using the accrual basis of accounting. The operating fund had total revenue of \$ 471,631 and expenditures of \$ 453,277.

The fund balance of the operating fund increased \$ 18,354.

GENERAL FUND BUDGETING HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

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

	<u>2004</u>	<u>2003</u>
Capital assets, Non depreciable:		
Land	\$ 38,496	\$ 38,496
Master plan	50,318	50,318
Harbor plat maps	4,694	4,694
400 foot breakwall extension	14,758	14,758
Construction in progress – boat launch control office	-	<u>161,520</u>
Total Capital Assets, Non-depreciable	<u>108,266</u>	<u>269,786</u>
Capital Assets, being depreciated:		
Lagoon Marina	240,000	240,000
Public Dock	537,079	537,079
Port Conneaut Marina and Yacht Club	530,867	530,867
Site Improvements	90,283	90,283
Building and improvements	227,950	227,950
Street Improvements	57,974	57,974
Leasehold improvements – Broad Street Extension	182,015	182,015
Public Dock engineering	64,331	64,331

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

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

	<u>2004</u>	<u>2003</u>
Dock improvements	123,855	123,855
Observation deck	6,279	6,279
Machinery and equipment – security	10,044	10,044
Machinery and equipment	109,393	70,768
Office equipment and furniture	1,593	-
Launching ramp	166,366	166,366
Fuel dock	20,000	20,000
Boat launch – control office	<u>190,429</u>	<u>-</u>
Total Capital Assets, being depreciated	2,558,458	2,327,811
Accumulated Depreciation	<u>(1,167,019)</u>	<u>(1,053,805)</u>
Total Capital Assets	<u>\$1,499,705</u>	<u>\$1,543,792</u>

The primary decrease occurred in construction in progress – boat launch control office due to the construction being completed and creating an increase in boat launch – control office. This is a public restroom/launch control office facility. The project was funded through ODNR Division of Watercraft Capital Grant Reimbursement.

DEBT

At December 31, 2004 the Port Authority had \$301,091 in notes, \$76,684 due within one year.

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

	<u>2004</u>	<u>2003</u>
Note payable – City of Conneaut	\$270,000	\$290,000
Note payable – New Holland Credit Company	<u>31,091</u>	<u>-</u>
Total Debt	<u>\$301,091</u>	<u>\$290,000</u>

A note payable was to the City of Conneaut. The principal amount of \$270,000 is due February 28, 2005 with interest at a rate of 1.81% per year payable at maturity and if the Port Authority does not provide for payment at maturity and until the principal is paid or provided for.

A note payable was also to New Holland Credit Company. The principal amount of \$38,625 is payable in monthly installments of \$719 including principal and interest at a fixed rate of 4.75% per annum. The term of the loan is fifty eight months with the final payment due November 30, 2008.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

THE FUTURE

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

CONTACTING THE PORT AUTHORITY TREASURER

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

ASSETS

Equity in Pooled Cash and Cash Equivalents	\$	207,586
Receivables:		
Accounts		1,090
Material and Supply Inventory		2,230
Prepaid Expenses		10,563
Nondepreciable Capital Assets		108,266
Depreciable Capital Assets, Net		1,391,439
Total Assets		<u>1,721,174</u>

LIABILITIES

Accounts Payable		6,503
Accrued Wages and Benefits		3,907
Deferred revenue - dock rentals		49,366
Accrued interest		4,050
Long Term Liabilities		
Due within one year		76,684
Due in more then one year		224,407
Total Liabilities		<u>364,917</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt		1,198,614
Unrestricted (Deficit)		157,643
Total Net Assets		<u>1,356,257</u>

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Revenue:	
Dock Rentals:	
Lagoon	\$113,920
Port Conneaut Marina and Yacht Club	102,090
Jet Ski Slip	5,625
Total Dock Rentals	<u>221,635</u>
Transient dock	1,532
Lease income	26,343
Daily fees	38,920
ODNR restroom grant	159,540
Interest income	1,431
Miscellaneous income	22,230
Total Revenue	<u>471,631</u>
Expenses:	
Salaries	16,000
Wages - dock rentals	31,969
Taxes- medicare	701
Taxes- state unemployment	387
Taxes - worker's comp	2,027
PERS	6,555
Repairs and Maintenance	20,865
Lawn Care	6,900
Dredging	160,165
Seaweed Control	3,548
Operating supplies	4,408
Gas and oil	1,010
Trash removal	6,394
Utilities	18,448
Telephone	1,646
Insurance	20,808
Taxes - Real Estate	1,555
Office supplies	2,429
Meetings and Travel	1,148
Dues and subscriptions	319
Legal and professional	9,270
Architect and engineering	1,003
Advertising and promotional	868
Employee bonding	83
Security	6,701
Contract labor	265
Licenses and Permits	995
Loan interest	8,097
Postage and delivery	95
Bank Service Charges	544
Depreciation Expense	113,214
Dues Reimbursement	4,650
Launch ramp expense	210
Total Expenses	<u>453,277</u>
Excess of revenue over expenses	18,354
Net Assets Beginning	1,337,903
Net Assets - Ending	<u><u>\$1,356,257</u></u>

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from income, public support and fees and grants	\$562,376
Interest received	1,431
BWC Refund	7
Cash paid to suppliers, employees and relative expenses	<u>(335,373)</u>

Net cash provided by operating activities **228,441**

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of fixed assets	(69,127)
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CASH FLOWS FROM FINANCING ACTIVITIES:

Net Borrowing	38,628
Principal payments	<u>(95,938)</u>

Net cash provided by financing activities **(57,310)**

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS **102,004**

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR **105,582**

CASH AND CASH EQUIVALENTS AT END OF YEAR **\$207,586**

RECONCILIATION TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Net income	<u>\$18,354</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	113,214
(Increase) decrease in other assets (other than those affecting cash)	83,504
Increase (decrease) in other liabilities (other than those affecting cash)	<u>13,369</u>
Total adjustments	<u>210,087</u>

Net cash provided by operating activities **\$228,441**

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

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**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Depreciation is based on the estimated useful lives computed for financial reporting on the straight-line method. Improvements and buildings are depreciated over 10, 15, 20, 27, 31, and 39 years. Equipment is depreciated over 5 and 7 years.

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

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

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. LONG-TERM DEBT

The Port Authority is liable for a note payable to the City of Conneaut. The City has rewritten the previous loans payable and combined into one. The principal amount of \$ 270,000 is due on February 28, 2005 with interest at a rate of 1.81% per year, payable at maturity and, if the Port Authority does not provide for payment at maturity then it will be until the principal amount is paid or provided for.

The Port Authority is also liable for a note payable to New Holland Credit Company in monthly installments of \$719 including principal and interest at a fixed rate of 4.75% per annum. The term of the loan is fifty eight months with the final payment due November 30, 2008. The balance as of December 31, 2004 was \$31,091.

Maturities for the next five years ending after December 31, 2004 are as follows:

<u>Year</u>	<u>Long-term debt Requirement</u>
2005	6,684
2006	7,631
2007	8,001
2008	<u>8,775</u>
Total:	<u>\$31,091</u>

3. LEASES

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

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

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

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

01/01/05	19,563
01/01/06	19,844
01/01/07	20,125
01/01/08	20,406
01/01/09	20,687
01/01/10	20,968
01/01/11	21,249

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

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

3. LEASES (continued):

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

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

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

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

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

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

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

4. PENSION BENEFITS

A. Ohio Public Employees Retirement System is a cost-sharing multiple-employer defined benefit pension plan.

B. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

C. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

D. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)222-6705 or 1-800-222-PERS (7377).

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. PENSION BENEFITS – (Continued)

E. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees. The 2004 employer contribution rate for state employers was 13.31% of covered payroll. For local government employer units the rate was 13.55% of covered payroll.

F. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records.

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Ohio Public Employees Retirement System provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate for state employers was 13.31% of covered payroll of which 5.00% was the portion used to fund health care for the year. For local government employer units the rate was 13.55% of covered payroll and 5.00% was the portion used to fund health care for the year.

B. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

C. OPEB is financed through employer contributions and investments earnings there on. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

D. As of December 31, 2001 (the latest information available) the unaudited estimated net assets available for future OPEB payments were \$ 11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$ 16.4 billion and \$ 4.8 billion, respectively. The Port Authority for the City of Conneaut's contributions for 2004 was \$ 6,555. For 2000, OPERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of OPERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

E. Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.0%, an annual increase in active employee total payroll of 4.0% compounded annually (assuming participants remain somewhat constant) and an additional increase in total payroll of between .50 percent and 6.3 percent based on annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

F. In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care cost in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

6. CASH AND INVESTMENTS

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

Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depository.

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;
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;

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

6. CASH AND INVESTMENTS (continued)

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 Treasurers 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.

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

Deposits - At year end the carrying amount of the Port Authority's deposits was \$207,386 and the bank balance was \$207,386.

Of the bank balance, \$100,000 was covered by federal depository insurance and \$107,386 was covered by the Ohio Public Entities Polled Collateral.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statements No. 9	\$ 207,586	\$ -0-
Cash on Hand	(200)	0
Investments	<u>0</u>	<u>0</u>
GASB Statement No. 3	<u>\$ 207,386</u>	<u>\$ 0</u>

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

7. CAPITAL ASSETS

	<u>Balance</u> <u>January 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2004</u>
Land	\$ 38,496	\$ -0-	\$ -0-	\$ 38,496
Master Plan	50,318	0	0	50,318
Harbor Plat Maps	4,694	0	0	4,694
Break Wall Extension	14,758	0	0	14,758
Construction in Progress	161,520	0	161,520	0
Marinas, Docks and equipment	<u>2,327,811</u>	<u>230,647</u>	<u>-0-</u>	<u>2,558,458</u>
Total	<u>\$ 2,597,597</u>	<u>\$230,647</u>	<u>\$161,520</u>	<u>\$ 2,696,724</u>

A summary of capital assets at December 31, 2004 follows:

Land	\$ 38,496
Master Plan	50,318
Harbor Plat Maps	4,694
Break Wall Extension	14,758
Lagoon Marina	240,000
Public Dock	537,079
Port Conneaut Marina and Yacht Club	530,867
Site improvements	90,283
Building and improvements	227,950
Street improvements	57,974
Leasehold improvements - Broad Street Extension	182,015
Public Dock engineering	64,331
Dock improvements	123,855
Observation deck	6,279
Machinery and equipment – security	10,044
Machinery and equipment	109,393
Office equipment and furniture	1,593
Launching ramp	166,366
Fuel dock	20,000
Boat Launch – control office	<u>190,429</u>
Total	<u>2,666,724</u>
Less accumulated depreciation	<u>(1,167,019)</u>
Net capital assets	<u>\$ 1,499,705</u>

8. BUDGETARY ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2004 WAS AS FOLLOWS:

2004 Budgeted vs. Actual Budgetary Expenditures

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Operating	<u>\$ 286,350</u>	<u>\$ 266,871</u>	<u>\$ 19,479</u>

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

9. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool exceeds certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pools financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31.

	<u>2004</u>	<u>2003</u>
Assets	\$2,390,150	\$1,811,340
Liabilities	<u>(3,424,271)</u>	<u>(3,653,152)</u>
Accumulated deficit	<u>(\$1,034,121)</u>	<u>(\$1,841,812)</u>



Auditor of State Betty Montgomery

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
PO Box 218
Conneaut, Ohio 44030

To the Board of Trustees:

We have audited the financial statements of the Conneaut Port Authority (the Port Authority), a component unit of the City of Conneaut, as of and for the year ended December 31, 2004, and have issued our report thereon dated February 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting in order to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered material weaknesses. In a separate letter to the Port Authority's management dated February 11, 2006 we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, providing an opinion 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*. However, in a separate letter to the Port Authority's management dated February 11, 2006, we reported other matters related to noncompliance we deemed immaterial.

Conneaut Port Authority
Ashtabula County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 11, 2006



**Auditor of State
Betty Montgomery**

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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
MAY 4, 2006**