



Dave Yost • Auditor of State

**PORT AUTHORITY
ASHTABULA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ashtabula County Port Authority
Ashtabula County
25 West Jefferson Street
Jefferson, Ohio 44047

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Ashtabula County Port Authority, Ashtabula County, (the "Port Authority") as of and for the year ended December 31, 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Port Authority prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Port Authority as of December 31, 2012, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Port Authority, Ashtabula County as of December 31, 2012, and its cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2012 the Port Authority, Ashtabula County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013, 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.



Dave Yost
Auditor of State

Columbus, Ohio

September 13, 2013

**PORT AUTHORITY
ASHTABULA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012
Cash Receipts:	
Service Revenue	\$1,638,935
Escrow Account Deposits	116,165
Bank Interest Income	459
Submerged Land Sease	4,466
Miscellaneous	513
 Total Cash Receipts	 1,760,538
Cash Disbursements:	
Current:	
Plant C Expenses	1,093,373
Plant C Revitalization Project Expenses	305,772
Principal Payment on Debt	130,438
Interest Payment on Debt	71,929
Advertising and Promotion	256
Bank Charges	155
Contracted Expenses	2,250
Business Expenses	2,613
Dues and Expenses	556
Personal Services/Salaries	78,623
Insurance	4,282
Office Expenses	2,331
Professional Services	13,848
Rent	1,200
Telephone Expense	2,190
Travel Expense	132
Miscellaneous	
EDPC Disbursements	154,234
Asset Recovery Program Disbursements	751
 Total Cash Disbursements	 1,864,933
 Excess Receipts Over (Under) Disbursements	 (104,395)
 Fund Cash Balances, January 1	 882,501
 Fund Cash Balances, December 31	 778,106
Nonspendable	
Restricted	17,655
Committed	
Assigned	
Unassigned (Deficit)	760451
 <i>Fund Cash Balances, December 31</i>	 \$778,106
 Cash Restricted for Economic Developpment Planning Committee	 17,655
 Port Authority Cash Balance, December 31st	 \$760,451

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

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**PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Port Authority of Ashtabula County, (the "Authority") was created pursuant to Sections 4582.22 through 4582.59, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution and research and development interests of Ashtabula County including rendering financial and other assistance to such enterprises situated in Ashtabula County and to induce the location in Ashtabula County of other manufacturing, commerce, distribution and research entities; to purchase, subdivide, sell and lease real property in Ashtabula County and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Ashtabula County.

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

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

D. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Port Authority must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Nonspendable

The Authority classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

1. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

2. Committed

The Board can *commit* amounts via formal action (resolution). The Port Authority must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

3. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or an Authority official delegated that authority by resolution, or by State Statute.

4. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Port Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Property, Plant and Equipment

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

**PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2012</u>
Demand deposits	<u>\$778,106</u>
Total	<u><u>\$778,106</u></u>

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

NOTE 3 - RISK MANAGEMENT

The Port Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 4 - OPERATING-TYPE LEASE

The Port Authority leases space on a month-to-month operating lease. Lease expense for the year ended December 31, 2012 was \$1,200.

**PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 5 - LONG-TERM DEBT

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

Issue	Outstanding 12/31/11	Additions	(Reductions)	Outstanding 12/31/12
OWDA Loan				
Purchase & Improvement - Plant C - 3.0%	\$1,265,467	\$0	(\$130,437)	\$1,135,030
<i>Total Long-Term Obligations</i>	<u>\$1,265,467</u>	<u>\$0</u>	<u>(\$130,437)</u>	<u>\$1,135,030</u>

The Port Authority has entered into a contractual agreement for a purchase and improvement loan from OWDA for the First Energy Plant C project in the amount \$3,026,987. Under the terms of this agreement, OWDA will reimburse, advance, or directly pay the construction costs of the approved project. OWDA will capitalize administrative costs and construction interest and add them to the total amount of the final loan. Since the loan has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements.

NOTE 6 - WATER PUMPING SERVICE AGREEMENT

On April 28, 2006, the Port Authority entered into a ten-year agreement to provide water pumping services to Ashco, Inc., a wholly owned subsidiary of Millennium Inorganic Chemicals Inc., and Praxair Inc. Under the terms of this agreement, the Port Authority agrees to provide process water from Plant C to Ashco's manufacturing facility, until the agreement expires on December 31, 2016. Assuming neither party breaches the written terms of the agreement, Ashco Inc. will continue to pay the monthly operating fee to the Port Authority at agreed upon rates which can fluctuate based upon the Port Authority's costs to provide the service.

If the agreement is terminated by Ashco, Inc. prior to December 31, 2016 for any reason other than an agreed upon termination by both parties or a termination by the Port Authority allowable under the written terms of the agreement, Ashco Inc. agrees to pay a termination fee to the Port Authority based upon the following schedule;

<u>If Notice of Termination is Given by Ashco Inc. to the Authority During the Period Listed Below, they must Pay the Corresponding Service Charge</u>	<u>Termination Charge</u>
January 1, 2012 through December 31, 2012	\$165,727
January 1, 2013 through December 31, 2013	125,245
January 1, 2014 through December 31, 2014	83,500
January 1, 2015 through December 31, 2015	40,548
January 1, 2016 through December 31, 2016	0

**PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 6 - WATER PUMPING SERVICE AGREEMENT (Continued)

The agreed upon termination charge schedule does not impact the financial statements due to the fact it is contingent upon a cancellation of the agreement. The monthly operating fees were recorded during 2012 and are reflected on the Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances as service revenue.

NOTE 7 - WATER PUMPING SERVICE GUARANTY

On April 28, 2006, the Port Authority entered into a ten-year guaranty with Millennium Inorganic Chemicals Inc., to provide water pumping services to Ashco, Inc., a wholly owned subsidiary of Millennium Inorganic Chemicals Inc. Under the terms of this agreement, Millennium Inorganic Chemicals Inc. guarantees the due and punctual payment of any and all amounts payable by Ashco, Inc., to the Port Authority, provided the Port Authority does not breach the terms of the contract. The guaranty will remain in full force and effect until the earlier of; (a) the termination of the agreement agreed upon between the two parties involved, (b) payment in full of all 10 years of obligations by Ashco Inc., or (c) the return of the guaranty to Millennium Inorganic Chemicals Inc. marked "cancelled".

NOTE 8 - PLANT C REVITALIZATION PROJECT

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

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

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

**PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 9 – ECONOMIC DEVELOPMENT PLANNING COMMITTEE

In June of 2009, the Port Authority accepted a County contribution for the Economic Development Planning Committee (EDPC). The EDPC had a budget of \$17,655 for 2012 and is charged with the responsibility of developing a County strategic plan. Once complete, the County Commissioners will take ownership of plan. During 2012, no EDPC money was spent.

At December 31, 2012, the Port Authority was still holding \$17,655 of EDPC funds in a checking account to be spent on EDPC approved activity and is presented as restricted cash.

NOTE 10 – RETIREMENT SYSTEMS

The Port Authority's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012, OPERS members contributed 10 percent of their gross salaries. The Authority contributed an amount equaling 14 percent of participants' gross salaries. The Port Authority has paid all contributions required through December 31, 2012.



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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

Port Authority
Ashtabula County
25 West Jefferson Street
Jefferson, Ohio 44047

To the Board of Directors:

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 Port Authority, Ashtabula County, (the "Port Authority") as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2013.

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 opinion 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*.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 13, 2013



Dave Yost • Auditor of State

ASHTABULA 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
OCTOBER 3, 2013**