

**CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY  
Regular Audit  
For the Year Ended December 31, 2011**

***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, 2011 through December 31, 2011. 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 9, 2013

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**CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY**

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***Perry & Associates***  
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**INDEPENDENT ACCOUNTANTS' REPORT**

July 26, 2013

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

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the **Conneaut Port Authority**, Ashtabula County, Ohio (the Authority), as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Conneaut Port Authority, Ashtabula County, Ohio, as of December 31, 2011, and the respective changes in financial position and cash flows thereof, 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 July 26, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

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

CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
UNAUDITED  
December 31, 2011

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The discussion and analysis of the Conneaut Port Authority's financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2011. 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 2011 are as follows:

Net assets of business-type activities increased by \$19,992 which represents a 1.6% increase from 2010.

Total assets of business-type activities increased \$376,789, which represents a 27.4% increase from 2010, due to capital improvements to docks and cash received near year end from the City of Conneaut under a long-term repayment agreement for a 2012 dock improvement project.

Total liabilities of business-type activities increased by \$356,797, which represents a 264.1% increase from 2010. The increase was due to the long-term obligation with the City of Conneaut.

Total cash and cash equivalents of business-type activities increased \$235,329 or 371.5% due to cash receipts noted above.

Capital assets, net of depreciation of increased \$141,087, or 10.9%.

### **USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Conneaut Port Authority as an entire operating entity.

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

### **REPORTING THE CONNEAUT PORT AUTHORITY AS A WHOLE**

The Port Authority's single fund is an enterprise fund with reporting focused on the determination of the change in net assets, financial position and cash flows. An enterprise fund accounts for any activity for which a fee is 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 2011?" The financial statements answer this question. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Port Authority's net assets and the changes in those assets. This change in assets is important because it tells the reader whether for the Port Authority as a whole, the financial position of the Port Authority has improved or diminished.

### **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, 2011

**THE CONNEAUT PORT AUTHORITY AS A WHOLE**

Recall that the Statement of Fund Net Assets looks at the Port Authority as a whole. Table 1 provides a summary of the Port Authority's net assets for 2011 compared to 2010.

**TABLE 1  
NET ASSETS**

	Business-type Activities	
	2011	2010
<b>ASSETS</b>		
Current and Other Assets	\$ 318,182	\$ 82,480
Capital Asset, Net of Depreciation	1,432,154	1,291,067
<b>Total Assets</b>	<b>1,750,336</b>	<b>1,373,547</b>
<b>LIABILITIES</b>		
Current and Other Liabilities	164,994	99,000
Long-term Liabilities due within One Year	39,360	9,095
Long-term Liabilities due in more than One Year	287,526	26,988
<b>Total Liabilities</b>	<b>491,880</b>	<b>135,083</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	1,105,268	1,291,067
Unrestricted	153,188	(52,603)
<b>Total Net Assets</b>	<b>\$ 1,258,456</b>	<b>\$ 1,238,464</b>

Total assets increased \$376,789. Equity in pooled cash and cash equivalents increased \$235,329. This increase reflects the cash flows from a long-term agreement with the City of Conneaut for capital improvements.

Net assets of the Port Authority's business-type activities increased \$19,992.

CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
UNAUDITED  
December 31, 2011

Table 2 shows the changes in net assets for the year ended December 31, 2011, compared to the year ended December 31, 2010.

**TABLE 2  
CHANGES IN NET ASSETS**

	2011	2010
<b>OPERATING REVENUES</b>		
Dockage	\$ 348,954	\$ 325,319
Property Lease	43,148	35,504
Other Revenue	37	393
<b>Total Operating Revenues</b>	<b>392,139</b>	<b>361,216</b>
<b>OPERATING EXPENSES</b>		
Salaries and Benefits	152,921	152,435
Contractual Services	56,943	60,303
Insurance	21,212	20,050
Utilities	32,058	31,898
Materials and Supplies	70,039	43,814
Depreciation Expense	136,662	139,201
Other Expenses	8,127	20,835
<b>Total Operating Expenses</b>	<b>477,962</b>	<b>468,536</b>
<b>NON-OPERATING REVENUES(EXPENSES)</b>		
<b>Total Non-Operating</b>		
<b>Net Revenues (Expenses)</b>	<b>105,815</b>	<b>55,890</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 19,992</b>	<b>\$ (51,430)</b>

Total Operating Expenses increased \$9,426, or 2.0%, due to increases in compensation rates and continued in-house maintenance and repair projects.

CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
UNAUDITED  
December 31, 2011

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

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

	2011	2010
<b><i>Capital Assets, not being depreciated:</i></b>		
Land	\$ 38,496	\$ 38,496
Land Improvements	26,362	20,000
Other Nondepreciable Assets	55,012	55,012
Work In Progress	84,306	-
<i>Total Nondepreciable Capital Assets</i>	204,176	113,508
<b><i>Capital Assets, being depreciated:</i></b>		
Building and Improvements	2,484,623	2,448,966
Dock Improvements	684,935	536,299
Vehicles	6,824	6,824
Machinery and Equipment	126,822	124,034
<i>Total Depreciable Capital Assets</i>	3,303,204	3,116,123
<b><i>Less Accumulated Depreciation:</i></b>		
Building and Improvements	(1,875,154)	(1,770,919)
Dock Improvements	(104,051)	(82,339)
Vehicles	(6,824)	(6,824)
Machinery and Equipment	(89,197)	(78,482)
<i>Total Depreciable Capital Assets</i>	(2,075,226)	(1,938,564)
<i>Total Depreciable Capital Assets, Net</i>	1,227,978	1,177,559
<b><i>Total Capital Assets, Net</i></b>	<b>\$ 1,432,154</b>	<b>\$ 1,291,067</b>

Capital assets increased \$141,087 due largely to the addition of capital improvements to docks completed in 2011 and in progress at year end.

**DEBT**

At December 31, 2011 the Port Authority had \$26,866 in a collateral loan payable, due in three years and \$300,000 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 \$60,384 at year end.

**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.

CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
UNAUDITED  
December 31, 2011

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**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](mailto:cpadmin@conneautportauthority.com).

**Conneaut Port Authority**  
**Ashtabula County**  
*Statement of Net Assets*  
*Propriety Fund*  
*December 31, 2011*

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**Assets**

Cash	\$ 298,668
Prepaid Expenses	12,429
Gasoline Inventory	7,050
Other Current Assets	35
Nondepreciable Capital Assets	204,176
Depreciable Capital Assets, Net	<u>1,227,978</u>

*Total Assets* 1,750,336

**Liabilities**

Accounts Payable	2,374
Accrued Wages and Benefits	10,244
Deferred Income	89,750
Deposits on Future Revenue	1,490
Current Portion of Long-term Debt	39,360
Accrued Interest Payable	752
Line of Credit	60,384
Long-term Debt, net of current portion	<u>287,526</u>

*Total Liabilities* 491,880

**Net Assets**

Invested in Capital Assets, Net of Related Debt	1,105,268
Unrestricted	<u>153,188</u>

*Total Net Assets* \$ 1,258,456

See accompanying notes to the basic financial statements.

**Conneaut Port Authority**  
*Statement of Revenues, Expenses  
and Changes in Net Assets  
Proprietary Fund  
For the Year Ended December 31, 2011*

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**Operating Revenues**

Dockage	\$ 348,954
Property Lease	43,148
Other Revenues	<u>37</u>
<i>Total Operating Revenue</i>	<u>392,139</u>

**Operating Expenses**

Salaries and Benefits	152,921
Contractual Services	56,943
Insurance	21,212
Utilities	32,058
Materials and Supplies	70,039
Depreciation Expense	136,662
Other	<u>8,127</u>
<i>Total Operating Expenses</i>	<u>477,962</u>

*Operating Loss* (85,823)

**Non-Operating Revenues (Expenses)**

Contributions	1,683
Interest Income	85
Grant Income	104,707
Other Non-Operating Income	2,026
Unrealized Gain on Inventory	567
Gain on Disposal of Assets	1,874
Grant Expenses	(620)
Interest Expense	<u>(4,507)</u>
<i>Total Non-Operating Revenues</i>	<u>105,815</u>

*Change in Net Assets* 19,992

*Net Assets Beginning of Year* 1,238,464

*Net Assets End of Year* \$ 1,258,456

See accompanying notes to the basic financial statements.

**Conneaut Port Authority**  
*Statement of Cash Flows*  
*Proprietary Fund*  
*For the Year Ended June 30, 2011*

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**Cash Flows from Operating Activities:**

Cash Received from Customers	\$	398,089
Cash Payments for Goods and Services		(188,578)
Cash Payments to and on Behalf of Employees		(153,420)
		(153,420)

<i>Net Cash Provided by Operating Activities</i>		56,091
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**Cash Flows from Capital and Related Financing Activities:**

Cash Received from Grants and Contributions		108,416
Cash Received from Line of Credit and Long-term Debt		360,384
Principal Paid on Long-Term Debt		(9,197)
Interest Paid on Debt		(3,955)
Cash Received from Sale of Capital Assets		1,874
Purchase of Capital Assets		(277,749)
Cash Payments for Grant Expenses		(620)
Interest Income		85

<i>Net Increase in Cash and Cash Equivalents</i>		235,329
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<i>Cash and Cash Equivalents at Beginning of Year</i>		63,339
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<i>Cash and Cash Equivalents at End of Year</i>	\$	298,668
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**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities**

<i>Operating Loss</i>	\$	(85,823)
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Adjustments to reconcile operating loss to net cash used  
used in operating activities:

Depreciation		136,662
(Increase) Decrease in Assets:		
Prepaid Expenses		(106)
Other Current Assets		300
Increase (Decrease) in Liabilities:		
Accounts Payable		(93)
Accrued Wages and Benefits		(499)
Deferred Income		5,225
Deposits on Future Dockage		425
		425

<i>Net Cash Provided by Operating Activities</i>	\$	56,091
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See accompanying notes to the basic financial statements.

**1. DESCRIPTION OF CONNEAUT PORT AUTHORITY**

The Conneaut Port Authority, Ashtabula County, (Port Authority) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority for the City of Conneaut is directed by a seven-member Board appointed by the City Manager with the approval of Conneaut City Council.

Charged with the responsibility of industrial development and the improvement of Conneaut's interconnecting waterways, the Port Authority is empowered with the ability to carry out the actions they consider necessary to achieve these responsibilities. The Port Authority operates two marinas and leases other lakefront facilities at the Port to private entities. The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities. All transactions are accounted for in a single enterprise fund.

**A. Basis of Presentation**

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

**B. Measurement Focus**

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

**C. Basis of Accounting**

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

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

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash and Cash Equivalents**

All monies of the Port Authority are maintained in one bank account. Investment procedures are restricted by the provisions of the Ohio Revised Code. During 2011, the Port Authority maintained no investment accounts.

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

**E. Inventory**

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

**F. Capital Assets**

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

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or though external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Operating Revenues**

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

**I. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Port Authority management and that are either unusual in nature or infrequent in occurrence.

**J. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**K. Budgetary Process**

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

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

**3. CASH AND INVESTMENTS**

State statutes classify monies held by the Port Authority into three categories.

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

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.

### 3. CASH AND INVESTMENTS

Monies held by the Port Authority which are not considered active are classified as interim monies. Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations, or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the Port Authority;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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 \$298,668 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**

As of December 31, 2011, the Port Authority had no investments.

CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY  
Notes to the Basic Financial Statements  
December 31, 2011

**4. CAPITAL ASSETS**

	Balance 12/31/10	Additions	Deductions	Balance 12/31/11
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 38,496	\$ -	\$ -	\$ 38,496
Land Improvements	20,000	6,362	-	26,362
Other Nondepreciable Assets	55,012	-	-	55,012
Work In Progress	-	84,306	-	84,306
<i>Total Nondepreciable Capital Assets</i>	<u>113,508</u>	<u>90,668</u>	<u>-</u>	<u>204,176</u>
<i>Capital Assets, being depreciated:</i>				
Building and Improvements	2,448,966	35,657	-	2,484,623
Dock Improvements	536,299	148,636	-	684,935
Vehicles	6,824	-	-	6,824
Machinery and Equipment	124,034	2,788	-	126,822
<i>Total Depreciable Capital Assets</i>	<u>3,116,123</u>	<u>187,081</u>	<u>-</u>	<u>3,303,204</u>
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(1,770,919)	(104,235)	-	(1,875,154)
Dock Improvements	(82,339)	(21,712)	-	(104,051)
Vehicles	(6,824)	-	-	(6,824)
Machinery and Equipment	(78,482)	(10,715)	-	(89,197)
<i>Total Depreciable Capital Assets</i>	<u>(1,938,564)</u>	<u>(136,662)</u>	<u>-</u>	<u>(2,075,226)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>1,177,559</u>	<u>50,419</u>	<u>-</u>	<u>1,227,978</u>
<i>Total Capital Assets, Net</i>	<u>\$ 1,291,067</u>	<u>\$ 141,087</u>	<u>\$ -</u>	<u>\$ 1,432,154</u>

**5. LEASES**

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

The Port Authority has entered into a fifty-year lease commencing July 1, 1989 through June 30, 2039, with the State of Ohio for submerged land at the lakefront. The annual lease amount is \$1, due and payable the first day of June of each year for property that does not generate revenues for the Port Authority. The Port Authority is in the process of negotiating and finalizing a lease agreement with the State of Ohio for submerged land that is used for the marinas and does generate operating revenues. In 2011, the Port Authority paid \$2,001 in lease payments to the State of Ohio for these areas.

CONNEAUT PORT AUTHORITY  
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Notes to the Basic Financial Statements  
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**6. LONG-TERM DEBT**

Long-term debt outstanding at December 31, 2011 was as follows:

Business-Type Activities	Interest Rate	12/31/2010 Balance	Additions	Deletions	12/31/2011 Balance	Due Within One Year
Loan Payable - Conneaut Savings Bank	1.81%	\$ 36,083	\$ -	\$ (9,197)	\$ 26,886	\$ 9,360
License Fees Payable - City of Conneaut	1.54%	\$ -	\$300,000	\$ -	\$ 300,000	\$ 30,000

The loan payable was obtained for the purchase of equipment. The License Fees Payable are an obligation arising an addendum to the Cooperative Agreement with the City of Conneaut. 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:

Year Ending December 31,	Principal	Interest	Total
2012	\$ 39,846	\$ 6,137	\$ 45,983
2013	40,536	4,884	45,420
2014	36,504	3,842	40,346
2015	30,000	3,234	33,234
2016 - 2021	180,000	9,702	189,702
	<u>\$ 326,886</u>	<u>\$ 27,799</u>	<u>\$ 354,685</u>

**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, 2011, the balance on this line of credit was \$60,384.

**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.

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. 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 2011, 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 2011 member contribution rates were 10.0% of covered payroll for members in State and local classifications. The Port Authority's contribution rate for 2011 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, 2011, 2010, and 2009 were \$18,869, \$17,934 and \$10,486 respectively; 89% has been contributed for 2011 and 100% for 2010 and 2009. There were no Port Authority employees in the member-directed plan for 2011.

**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 2011, 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.

CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY  
Notes to the Basic Financial Statements  
December 31, 2011

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**9. POST-EMPLOYMENT BENEFITS (Continued)**

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 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the combined plan was 6.05 % during calendar year 2011. 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, 2011, 2010, and 2009 were \$5,391, \$5,124 and \$4,299 respectively; 89% has been contributed for 2011 and 100% for 2010 and 2009.

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

**10. RISK MANAGEMENT**

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011, the Port Authority contracted with Love Insurance Company for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Coverage Limit</u>
Property	\$ 1,597,0114
Inland Marine	\$ 5,000 – 13,000
Liability	\$2,000,000
	\$ 4,000,000 aggregate

***Perry & Associates***  
Certified Public Accountants, A.C.

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

July 26, 2013

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

To the Board of Trustees:

We have audited the financial statements of the business-type activities of the **Conneaut Port Authority**, Ashtabula County, Ohio (the Authority) as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report dated July 26, 2013. 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 Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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*.

We did note a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated July 26, 2013.

We intend this report solely for the information and use of management, Board of Trustees and others in the Authority. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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

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# 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 27, 2013**