

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Regular Audit
For the Year Ended December 31, 2012**

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 Accountants' Report* of the Conneaut Port Authority, Ashtabula County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2012. 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 cursive script 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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INDEPENDENT AUDITOR'S 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, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 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.

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, 2012, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated 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. 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 Authority's internal control over financial reporting and compliance.

Respectfully submitted,



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

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
December 31, 2012

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, 2012. 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 2012 are as follows:

Net position of business-type activities increased by \$116,029 which represents a 9.2% increase from 2011.

Total assets of business-type activities increased \$10,625, which represents a 0.6% increase from 2011.

Total liabilities of business-type activities decreased \$105,404, which represents a 21.4% decrease from 2011. The decrease was due to long-term obligation and line of credit repayments.

Total cash and cash equivalents of business-type activities decreased \$257,431 or 86.2% due to expenditures on dock improvement projects.

Net Investment in Capital Assets increased \$268,672, or 18.8%.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CONNEAUT PORT AUTHORITY AS A WHOLE

The Port Authority's single fund is an enterprise fund with reporting focused on the determination of the change in net 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 2012?" The financial statements answer this question. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

REPORTING THE CONNEAUT PORT AUTHORITY'S MOST SIGNIFICANT FUNDS

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

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
December 31, 2012

THE CONNEAUT PORT AUTHORITY AS A WHOLE

Recall that the Statement of Net Position looks at the Port Authority as a whole. Table 1 provides a summary of the Port Authority's net position for 2012 compared to 2011.

**TABLE 1
NET POSITION**

	Business-type Activities	
	2012	2011
ASSETS		
Current and Other Assets	\$ 60,135	\$ 318,182
Capital Asset, Net of Depreciation	1,700,826	1,432,154
Total Assets	1,760,961	1,750,336
LIABILITIES		
Current and Other Liabilities	116,476	164,994
Long-term Liabilities due within One Year	30,000	39,360
Long-term Liabilities due in more than One Year	240,000	287,526
Total Liabilities	386,476	491,880
NET POSITION		
Investment In Capital Assets	1,430,826	1,105,268
Unrestricted	(56,341)	153,188
Total Net Position	1,374,485	1,258,456
Total Liabilities and Net Position	\$ 1,760,961	\$ 1,750,336

Total assets increased \$10,625. Equity in pooled cash and cash equivalents decreased \$257,431. This decrease reflects the cash flows from a long-term agreement with the City of Conneaut for capital improvements received near 2011 year end being expended in 2012.

Net position of the Port Authority's business-type activities increased \$116,029.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
December 31, 2012

Table 2 shows the changes in net position for the year ended December 31, 2012, compared to the year ended December 31, 2011.

**TABLE 2
CHANGES IN NET POSITION**

	2012	2011
OPERATING REVENUES		
Dockage	\$ 382,779	\$ 348,954
Property Lease	37,687	43,148
Other Revenue	276	37
Total Operating Revenues	420,742	392,139
OPERATING EXPENSES		
Salaries and Benefits	152,760	152,921
Contractual Services	33,602	56,943
Insurance	22,071	21,212
Utilities	36,872	32,058
Materials and Supplies	37,588	70,039
Depreciation Expense	155,479	136,662
Other Expenses	6,953	8,127
Total Operating Expenses	445,325	477,962
NON-OPERATING REVENUES(EXPENSES)		
Total Non-operating Net Revenues (Expenses)	140,612	105,815
CHANGE IN NET POSITION	\$ 116,029	\$ 19,992

Total Operating Expenses decreased \$32,637, or 7.1%, due to reduction on maintenance and repair projects that are not capital projects.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
December 31, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

	2012	2011
<i>Capital Assets, not being depreciated:</i>		
Land	\$ 38,496	\$ 38,496
Land Improvements	31,021	26,362
Other Nondepreciable Assets	55,012	55,012
Work In Progress	-	84,306
<i>Total Nondepreciable Capital Assets</i>	124,529	204,176
 <i>Capital Assets, being depreciated:</i>		
Building and Improvements	2,512,397	2,484,623
Dock Improvements	1,144,670	684,935
Vehicles	16,823	6,824
Machinery and Equipment	133,112	126,822
<i>Total Depreciable Capital Assets</i>	3,807,002	3,303,204
 <i>Less Accumulated Depreciation:</i>		
Building and Improvements	(1,980,732)	(1,875,154)
Dock Improvements	(142,989)	(104,051)
Vehicles	(7,657)	(6,824)
Machinery and Equipment	(99,327)	(89,197)
<i>Total Depreciable Capital Assets</i>	(2,230,705)	(2,075,226)
<i>Total Depreciable Capital Assets, Net</i>	1,576,297	1,227,978
 <i>Total Capital Assets, Net</i>	\$ 1,700,826	\$ 1,432,154

Capital assets increased \$268,672 due largely to the addition of capital improvements to docks completed in 2012.

DEBT

At December 31, 2012 the Port Authority had \$270,000 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 \$19,687 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.

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 cpaadmin@conneautportauthority.com.

Conneaut Port Authority
Ashtabula County
Statement of Net Position
Propriety Fund
December 31, 2012

Assets

Cash	\$ 41,237
Prepaid Expenses	11,848
Gasoline Inventory	7,050
Nondepreciable Capital Assets	119,870
Depreciable Capital Assets, Net	<u>1,580,956</u>

<i>Total Assets</i>	<u>1,760,961</u>
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Liabilities

Accounts Payable	5,337
Accrued Wages and Benefits	10,304
Deferred Income	78,577
Deposits on Future Revenue	2,065
Current Portion of Long-term Debt	30,000
Accrued Interest Payable	506
Line of Credit	19,687
Long-Term Debt, Net of Current Portion	<u>240,000</u>

<i>Total Liabilities</i>	<u>386,476</u>
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Net Position

Net Investment In Capital Assets	1,430,826
Unrestricted	<u>(56,341)</u>

<i>Total Net Position</i>	<u>1,374,485</u>
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<i>Total Liabilities and Net Position</i>	<u><u>\$ 1,760,961</u></u>
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See accompanying notes to the basic financial statements.

Conneaut Port Authority
*Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2012*

Operating Revenues

Dockage	\$ 382,779
Property Lease	37,687
Other Revenues	<u>276</u>
<i>Total Operating Revenues</i>	<u>420,742</u>

Operating Expenses

Salaries and Benefits	152,760
Contractual Services	33,602
Insurance	22,071
Utilities	36,872
Materials and Supplies	37,588
Depreciation Expense	155,479
Other	<u>6,953</u>
<i>Total Operating Expenses</i>	<u>445,325</u>

Operating Loss (24,583)

Non-Operating Revenues (Expenses)

Contributions	7,961
Interest Income	25
Grant Income	135,007
Other Non-Operating Income	7,072
Gain on Disposal of Assets	2,549
Grant Expenses	(5,776)
Interest Expense	<u>(6,226)</u>
<i>Total Non-Operating Revenues</i>	<u>140,612</u>

Change in Net Position 116,029

Net Position, Beginning of Year 1,258,456

Net Position, End of Year \$ 1,374,485

See accompanying notes to the basic financial statements.

Conneaut Port Authority
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2012

Cash Flows from Operating Activities:

Cash Received from Customers	\$	408,817
Cash Payments for Goods and Services		(132,180)
Cash Payments to and on Behalf of Employees		(152,700)
		(152,700)

<i>Net Cash Provided by Operating Activities</i>		123,937
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Cash Flows from Capital and Related Financing Activities:

Cash Received from Grants and Contributions		149,794
Principal Paid on Long-Term Debt and Line of Credit		(97,583)
Interest Paid on Debt		(6,226)
Cash Received from Sale of Capital Assets		2,549
Purchase of Capital Assets		(424,151)
Grant Expenses		(5,776)
Interest Income		25

<i>Net Increase in Cash and Cash Equivalents</i>		(257,431)
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<i>Cash and Cash Equivalents at Beginning of Year</i>		298,668
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<i>Cash and Cash Equivalents at End of Year</i>	\$	41,237
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**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

<i>Operating Loss</i>	\$	(24,583)
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Adjustments to reconcile operating loss to net cash used
used in operating activities:

Depreciation		155,479
(Increase) Decrease in Assets:		
Prepaid Expenses		581
Other Current Assets		35
Increase (Decrease) in Liabilities:		
Accounts Payable		2,963
Accrued Wages and Benefits		60
Deferred Income		(11,173)
Deposits on Future Dockage		575

<i>Net Cash Provided by Operating Activities</i>	\$	123,937
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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 position, statement of revenues, expenses and changes in net position and a statement of cash flows.

B. Measurement Focus

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

C. Basis of Accounting

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

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

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

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. Change in Accounting Principles

For 2012, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". GASB Statement No. 63 provides guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Authority's 2012 financial statements; however, there was no material effect on beginning net position/fund balance.

E. Cash and Cash Equivalents

All monies of the Port Authority are maintained in one bank account. Investment procedures are restricted by the provisions of the Ohio Revised Code. During 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.

F. Inventory

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

G. Capital Assets

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

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

H. Net Position

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Operating Revenues

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

J. Extraordinary and Special Items

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

K. Estimates

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

L. Budgetary Process

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

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

3. CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or savings or deposit accounts including passbook accounts.

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

3. CASH AND INVESTMENTS (Continued)

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 \$41,237 was insured.

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

Investments

Investments are reported at fair value. As of December 31, 2012, the Port Authority had no investments.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2012

4. CAPITAL ASSETS

	Balance 12/31/11	Additions	Deductions	Balance 12/31/12
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 38,496	\$ -	\$ -	\$ 38,496
Land Improvements	26,362	4,659	-	31,021
Other Nondepreciable Assets	55,012	-	-	55,012
Work In Progress	84,306	-	(84,306)	-
<i>Total Nondepreciable Capital Assets</i>	<u>204,176</u>	<u>4,659</u>	<u>(84,306)</u>	<u>124,529</u>
<i>Capital Assets, being depreciated:</i>				
Building and Improvements	2,484,623	27,774	-	2,512,397
Dock Improvements	684,935	459,735	-	1,144,670
Vehicles	6,824	9,999	-	16,823
Machinery and Equipment	126,822	6,290	-	133,112
<i>Total Depreciable Capital Assets</i>	<u>3,303,204</u>	<u>503,798</u>	<u>-</u>	<u>3,807,002</u>
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(1,875,154)	(105,578)	-	(1,980,732)
Dock Improvements	(104,051)	(38,938)	-	(142,989)
Vehicles	(6,824)	(833)	-	(7,657)
Machinery and Equipment	(89,197)	(10,130)	-	(99,327)
<i>Total Depreciable Capital Assets</i>	<u>(2,075,226)</u>	<u>(155,479)</u>	<u>-</u>	<u>(2,230,705)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>1,227,978</u>	<u>348,319</u>	<u>-</u>	<u>1,576,297</u>
<i>Total Capital Assets, Net</i>	<u><u>\$ 1,432,154</u></u>	<u><u>\$ 352,978</u></u>	<u><u>\$ (84,306)</u></u>	<u><u>\$ 1,700,826</u></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.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2012

6. LONG-TERM OBLIGATIONS

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

Business-Type Activities	Interest Rate	12/31/2011 Balance	Additions	Deletions	12/31/2012 Balance	Due Within One Year
Loan Payable - Conneaut Savings Bank	6.75%	\$ 26,886	\$ -	\$ (26,886)	\$ -	\$ -
License Fees Payable City of Conneaut	1.54%	\$ 300,000	\$ -	\$ (30,000)	\$ 270,000	\$ 30,000

The loan payable was obtained for the purchase of equipment. The License Fees Payable are an obligation arising from 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
2013	\$ 30,000	\$ 4,158	\$ 34,158
2014	30,000	3,696	33,696
2015	30,000	3,234	33,234
2016	30,000	2,772	32,772
2017 - 2021	150,000	6,930	156,930
	<u>\$ 270,000</u>	<u>\$ 20,790</u>	<u>\$ 290,790</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, 2012, the balance on this line of credit was \$19,687.

8. DEFINED BENEFIT PENSION PLAN

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, 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 2012 member contribution rates were 10.0% of covered payroll for members in State and local classifications. The Port Authority's contribution rate for 2012 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, 2012, 2011, and 2010 were \$20,222, \$18,869 and \$17,934 respectively; 90% has been contributed for 2012 and 100% for 2011 and 2010. There were no Port Authority employees in the member-directed plan for 2012.

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.

9. POST-EMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care plan through their contributions to OPERS. A portion of each employer's contribution is set aside for the funding of post-employment health care coverage.

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

OPERS' post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the combined plan was 6.05 % during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay of a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Port Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2009 were \$5,777, \$5,391 and \$5,124 respectively; 90% has been contributed for 2012 and 100% for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2011, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

10. RISK MANAGEMENT

The Port Authority is exposed to various risks of loss related to torts; theft of , damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2012, the Port Authority contracted with Love Insurance Company for various types of insurance as follows:

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

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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*

July 26, 2013

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the **Conneaut Port Authority**, Ashtabula County, (the Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 26, 2013, wherein we noted the Authority implemented Governmental Accounting Standards Board Statement No. 63.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 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 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 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*.

Compliance and Other Matters (Continued)

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.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

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

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



Dave Yost • Auditor of State

CONNEAUT PORT AUTHORITY

ASHTABULA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 27, 2013**