



**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying general-purpose financial statements of the Conneaut Port Authority Ashtabula County, component unit of the City of Conneaut as of and for the year ended December 31, 1999 as listed in the table of contents. These general-purpose financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Conneaut Port Authority, Ashtabula County, a component unit of the City of Conneaut, as of and for the year ended December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types 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 November 20, 2001 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

November 20, 2001

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**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

BALANCE SHEET AS OF DECEMBER 31, 1999

ASSETS

Current Assets

Checking/Savings	
Cash on Hand	\$200
Checking - Keybank	11,728
KeyBank - MMA	3,441
Total Checking/Savings	15,369

Other Current Assets

Inventory - material and supplies	294
Prepaid expenses	7,115
Total Other Current Assets	7,409

Total Current Assets

22,778

Other Assets

Land, Buildings and Equipment	2,291,695
Accumulated Depreciation	(646,889)
Master plan	50,318
Harbor Plat Maps	4,694
Total Other Assets	1,699,818

TOTAL ASSETS

1,722,596

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts payable	2,158
Current portion of long-term debt	49,600
Deferred Leases - LEBC	3,900
Deferred revenue - dock rentals	22,730
Accrued payroll	255
Accrued medicare	98
Accrued Federal W/H	249
Accrued State w/h	58
Accrued City W/H	104
Accrued State Unemployment	38
Accrued workers' compensation	128
Accrued PERS	1,386
Accrued interest	12,729
Total Current Liabilities	93,433

Long Term Liabilities

Note payable - City of Conneaut	405,000
Total Long Term Liabilities	405,000

Total Liabilities

498,433

Equity

Retained Earnings - Unreserved	1,224,163
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TOTAL LIABILITIES & EQUITY

\$1,722,596

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1999**

Revenue

Dock rentals:	
Jet Ski Slip	\$1,090
Lagoon	98,735
PCMYC	73,728
Reimbursed Expenses	316
Transit dock	1,135
Lease income	24,330
Season passes	4,410
Daily Fees	16,245
Interest Income	1,661
Miscellaneous income	9,060
Total Revenue	230,711

Expense

Salaries	18,700
Wages - dock rentals	16,431
Taxes - medicare	511
Taxes - state unemployment	212
Taxes - workers compensation	128
PERS	4,780
Repairs and maintenance	26,558
Operating supplies	5,161
Gas and oil	450
Trash removal	3,319
Utilities	10,916
Telephone	880
Insurance	9,517
Taxes - real estate	632
Office Supplies	355
Meetings and travel	312
Dues and Subscriptions	715
Legal and professional	19,141
Advertising and promotional	562
Employee bonding	64
Security	17,431
Contract labor	5,200
Licenses and Permits	920
Loan Interest	20,894
Management fees	6,702
Bank Service Charge	419
Depreciation Expense	100,361
Miscellaneous expense	1,104
Submerged Land Lease	4,000
Total Expense	276,375

Excess of Revenue over Expenses	(45,664)
Beginning Retained Earnings 1/1/99	1,269,827
Ending Retained Earnings 12/31/99	\$1,224,163

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1999**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from income, public support and fees and grants	\$ 228,144
Interest received	1,661
Cash paid to suppliers, employees and relative expenses	<u>(181,931)</u>
Net cash provided by operating activities	<u>47,874</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of fixed assets	<u>(10,004)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments	<u>(91,200)</u>
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (53,330)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 68,699

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 15,369

**RECONCILIATION TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:**

Net (loss) income	<u>\$ (45,664)</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	100,361
(Increase) decrease in other assets (other than cash)	2,303
Increase (decrease) in other liabilities (other than those affecting cash)	<u>(9,126)</u>
Total adjustments	<u>93,538</u>

Net cash provided by operating activities **\$ 47,874**

The accompanying notes are an integral part of the financial statements.

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**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Depreciation is based on the estimated useful lives computed for financial reporting on the straight-line method. Improvements and buildings are depreciated over 10, 15, 20, 27 ½, 31 ½, and 39 years. Equipment is depreciated over 5 and 7 years.

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

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

2. LONG-TERM DEBT

The Port Authority is liable for a note payable to City of Conneaut. The City has rewritten the previous loans payable and combined into one. The principal amount of \$ 454,600 is due on April 28, 2000, with interest at a rate of 4.20% per year, payable at maturity and, if the Port Authority does not provide for payment at maturity and until the principal amount is paid or provided for.

3. LEASES

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

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999
(Continued)**

3. LEASES - (Continued)

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

01/01/00	\$ 17,920
01/01/01	\$ 18,160

Years 11-20, the lessee will pay a new base rent not less than 15% nor not more than 30% of the base rent established in years 1-10, including the same 1.5% increase added in the same manner as the first ten year period.

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

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

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

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

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

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

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

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

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999
(Continued)**

4. PENSION BENEFITS

- A. Public Employees Retirement System of Ohio is a cost-sharing multiple-employer defined benefit pension plan.
- B. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.
- C. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.
- D. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277/East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-PERS (7377).
- E. The Ohio Revised Code provides statutory authority for employees and employer contributions. The employee contribution rates are 8.5% for employees. The 1999 employer contribution rate for state employers was 13.31% of covered payroll. For local government employer units the rate was 13.55% of covered payroll.
- F. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records.

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

- A. Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate for state employers was 13.31% of covered payroll; 4.25% was the portion that was used to fund health care of the year. For local government employer units the rate was 13.55% of covered payroll, 4.2% was the portion that was used to fund health care for the year 1999.
- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.
- C. OPEB is financed through employer contributions and investments earnings there on. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.
- D. Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999 the unaudited estimated net assets available for future OPEB payments were \$ 9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062. The Port Authority for the City of Conneaut's contributions for 1999 were \$ 4,780.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999
(Continued)**

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

E. During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

6. CASH AND INVESTMENTS

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations, or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuance's of federal government agencies or instrumentalities;

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999
(Continued)**

6. CASH AND INVESTMENTS - (Continued)

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 District.
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.

Cash on Hand - At year end, the Port Authority had \$200 in undeposited cash on hand which is included on the balance sheet.

Deposits - At year end the carrying amount of the Port Authority' deposits was \$ 11,728 and the bank balance was \$ 12,337.

Of the bank balance: \$ 12,337 was covered by federal depository insurance.

Investments - The Port Authority's investments are categorized below to give an indication of the level of risk assumed by the Port Authority at year end. Category 1 includes investments that are insured or registered or are held by the Port Authority or its agent in the Port Authority's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the Port Authority's name. Category 3 includes uninsured and unregistered investments which are held by the counter party or by its trust department or agent but not in the Port Authority's name.

	Category			Carrying Value	Market Value
	1	2	3		
Key Investments, Inc	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,441</u>	<u>\$ 3,441</u>	<u>\$ 3,441</u>

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

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999
(Continued)**

6. CASH AND INVESTMENTS - (Continued)

	Cash and Cash	
	Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 15,369	\$ 0
Cash on Hand	200	0
Investments - Key Investments, Inc.	<u>(3,441)</u>	<u>3,441</u>
GASB Statement No. 3	<u>\$ 11,928</u>	<u>\$3,441</u>

7. FIXED ASSETS

	Balance	Additions	Deductions	Balance
	<u>January 1, 1999</u>			<u>December 31, 1999</u>
Land	\$ 38,496	\$ 0	\$ 0	\$ 38,496
Marinas, Docks and equipment	<u>2,243,195</u>	<u>10,004</u>	0	<u>2,253,199</u>
Total	<u>\$ 2,281,691</u>	<u>\$ 10,004</u>	<u>\$ 0</u>	<u>\$ 2,291,695</u>

A summary of fixed assets at December 31, 1999 follows:

Land	\$ 38,496
Lagoon Marina	240,000
Public Dock	537,079
Port Conneaut Marina and Yacht Club	530,867
Site improvements	90,283
Building and improvements	223,450
Street improvements	57,974
Leasehold improvements - Broad Street Extension	182,015
Public Dock engineering	64,331
Dock improvements	73,192
Observation deck	6,279
Machinery and equipment	61,363
Launching ramp	166,366
Fuel dock	<u>20,000</u>
Total	2,291,695
Less accumulated depreciation	<u>(646,889)</u>
Net fixed assets	<u>\$ 1,644,806</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees:

We have audited the financial statements of Conneaut Port Authority Ashtabula County, a component unit of the City of Conneaut, as of and for the year ended December 31, 1999 and have issued our report thereon dated November 20, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Conneaut Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Port Authority in a separate letter dated November 20, 2001.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Conneaut Port Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Port Authority in a separate letter dated November 20, 2001.

This report is intended for the information and use of the Port Authority's management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 20, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CONNEAUT PORT AUTHORITY

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2001**