

CONNEAUT PORT AUTHORITY

ASHTABULA COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2007

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Trustees
Conneaut Port Authority
PO Box 218
Conneaut, Ohio 44030

We have reviewed the *Report of Independent Accountants* of the Conneaut Port Authority, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 27, 2009

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CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY, OHIO
Audit Report
For the Year ended December 31, 2007

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1-2
Management's Discussion and Analysis	3-7
Statement of Fund Net Assets – Proprietary Fund	8
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	9
Statement of Cash Flows – Proprietary Fund	10
Notes to the Financial Statements	11-20
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	21-22
Schedule of Findings	23-24
Schedule of Prior Audit Findings	25

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Conneaut Port Authority, Ashtabula County, Ohio, (the Port Authority), a component unit of the City of Conneaut, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Conneaut Port Authority, Ashtabula County, Ohio, as of December 31, 2007, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the Port Authority implemented Governmental Accounting Standards Boards (GASB) Statement 45, *Accounting and Financial Reporting by Employers Post Employment Benefits Other Than Pension*.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2009 on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

Charles E. Harris & Associates, Inc.

June 26, 2009

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2007

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, 2007. 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 2007 are as follows:

Net assets of business-type activities increased by \$47,127 which represents a 3.5% increase from 2006.

Total assets of business-type activities increased \$56,759, which represents a 3.6% increase from 2006.

Total liabilities of business-type activities increased by \$10,772, which represents a 4.5% increase from 2006. The increase was due to greater receipts of 2008 revenue, classified as deferred.

Total cash and cash equivalents of business-type activities decreased \$146,909 or 88.9% due to payments for capitalized assets.

Capital assets, net of depreciation of increased \$204,843 or 15%.

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 charge 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 2007?" 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.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2007

REPORTING THE CONNEAUT PORT AUTHORITY'S MOST SIGNIFICANT FUNDS

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

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 2007 compared to 2006.

	Business-type Activities	
	2007	Restated 2006
ASSETS		
Current and Other Assets	\$ 36,622	\$ 183,566
Capital Asset, Net of Depreciation	1,574,701	1,369,858
Total Assets	1,611,323	1,553,424
LIABILITIES		
Current and Other Liabilities	82,858	72,319
Long-term Liabilities due within One Year	116,357	57,349
Long-term Liabilities due in more than One Year	50,000	108,775
Total Liabilities	249,215	238,443
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,467,036	1,203,734
Unrestricted	(104,928)	111,247
Total Net Assets	\$ 1,362,108	\$ 1,314,981

Total assets increased \$56,759. Equity in pooled cash and cash equivalents decreased \$146,909. This decrease reflects the increase in capital assets during the year.

Net assets of the Port Authority's business-type activities increased \$47,127. This is also a reflection of the increase in capital assets.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2007

Table 2 shows the changes in net assets for the year ended December 31, 2007, compared to the year ended December 31, 2006.

TABLE 2
CHANGES IN NET ASSETS

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Dockage	\$ 306,745	\$ 304,615
Property Lease	32,490	28,336
Fuel Dock Revenue	-	102,946
Other Revenue	9,999	9,729
Total Operating Revenues	<u>349,234</u>	<u>445,626</u>
OPERATING EXPENSES		
Salaries and Benefits	114,862	117,467
Contractual Services	103,508	85,829
Materials and Supplies	26,432	40,213
Fuel Dock Expense	-	95,697
Depreciation Expense	125,271	120,460
Other Expenses	4,439	8,820
Total Operating Expenses	<u>374,512</u>	<u>468,486</u>
NON-OPERATING REVENUES(EXPENSES)		
Total Non-operating Net Revenues	<u>72,405</u>	<u>471</u>
CHANGE IN NET ASSETS	<u><u>\$ 47,127</u></u>	<u><u>\$ (22,389)</u></u>

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

	Balance 12/31/07	Restated Balance 12/31/06
<i>Capital Assets, not being depreciated:</i>		
Land	\$ 38,496	\$ 38,496
Land Improvements	20,000	20,000
Other Nondepreciable Assets	55,012	55,012
<i>Total Nondepreciable Capital Assets</i>	113,508	113,508
 <i>Capital Assets, being depreciated:</i>		
Building and Improvements	2,434,824	2,434,824
Dock Improvements	479,691	149,526
Vehicles	6,824	6,824
Machinery and Equipment	71,440	71,440
<i>Total Depreciable Capital Assets</i>	2,992,779	2,662,614
 <i>Less Accumulated Depreciation:</i>		
Building and Improvements	(1,459,095)	(1,355,335)
Dock Improvements	(26,865)	(17,398)
Vehicles	(6,825)	(5,460)
Machinery and Equipment	(38,801)	(28,122)
<i>Total Depreciable Capital Assets</i>	(1,531,586)	(1,406,315)
<i>Total Depreciable Capital Assets, Net</i>	1,461,193	1,256,299
<i>Total Capital Assets, Net</i>	\$ 1,574,701	\$ 1,369,807

The primary increase occurred in improvements to the Lagoon A wall and docks, and also improvements to the launch ramp.

DEBT

At December 31, 2007 the Port Authority had \$100,000 in a note payable, \$50,000 due within one year. In addition, the Port Authority has \$58,692 payable on the line of credit.

THE FUTURE

The Port Authority is strong financially; planning to continue with the grant-funded dredging project and pumping system to continually pump sand out. The Port Authority will continue to pursue economic growth.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2007

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 Joseph Raisian, 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 Fund Net Assets
Propriety Fund
December 31, 2007

Assets

Cash	\$ 18,429
Prepaid Expenses	11,785
Gasoline Inventory	6,408
Nondepreciable Capital Assets	113,508
Depreciable Capital Assets, Net	<u>1,461,193</u>
<i>Total Assets</i>	<u>1,611,323</u>

Liabilities

Accounts Payable	2,649
Accrued Wages and Benefits	6,645
Deferred Income	68,167
Deposits on Future Revenue	465
Accrued Interest Payable	4,932
Line of Credit	58,692
Long Term Liabilities	
Due Within One Year	57,665
Due in More Than One Year	<u>50,000</u>
<i>Total Liabilities</i>	<u>249,215</u>

Net Assets

Invested in Capital Assets	1,467,036
Unrestricted	<u>(104,928)</u>
<i>Total Net Assets</i>	<u><u>\$ 1,362,108</u></u>

See accompanying notes to the basic financial statements.

Conneaut Port Authority
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2007*

Operating Revenues

Dockage	\$ 306,745
Property Lease	32,490
Other Revenues	<u>9,999</u>
<i>Total Operating Revenue</i>	<u>349,234</u>

Operating Expenses

Salaries and benefits	114,862
Contractual services	103,508
Materials and supplies	26,432
Depreciation expense	125,271
Other	<u>4,439</u>
<i>Total Operating Expenses</i>	<u>374,512</u>

Operating Loss (25,278)

Non-Operating Revenues (Expenses)

Contributions	3,270
Interest income	1,450
Grant income	75,000
Unrealized gain on inventory	1,741
Interest expense	<u>(9,056)</u>

Total Non-operating Revenues 72,405

Change in Net Assets 47,127

Net Assets Beginning of Year, Restated 1,314,981

Net Assets End of Year \$ 1,362,108

See accompanying notes to the basic financial statements.

Conneaut Port Authority
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2007

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 355,840
Cash Payments for Goods and Services	(133,483)
Cash Payments to and on Behalf of Employees	<u>(111,322)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>111,035</u>
 Cash Flows from Capital and Related Financing Activities:	
Cash Received from Grants and Contributions	78,270
Cash from Line of Credit	135,000
Principal Paid on Long-term Debt and LOC	(134,767)
Interest Paid on Debt	(8,923)
Purchase of capital assets	(328,974)
Interest Income	<u>1,450</u>
<i>Net Increase in Cash and Cash Equivalents</i>	(146,909)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>165,338</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 18,429</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
<i>Operating Loss</i>	\$ (25,278)
Adjustments to reconcile operating loss to net cash used used in operating activities:	
Depreciation	125,271
(Increase) Decrease in Assets:	
Prepaid Expenses	430
Increase (Decrease) in Liabilities:	
Accounts Payable	1,079
Sales Tax Payable	(587)
Accrued Wages and Benefits	609
Deferred Income	9,496
Deposits on Future Dockage	<u>15</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 111,035</u></u>

See accompanying notes to the basic financial statements.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2007

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. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent applicable. 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, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Authority has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. 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 statements 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 assets 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.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

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.

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 2007, 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

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

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 through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2007

**3. CHANGE IN ACCOUNTING PRINCIPLES
AND RESTATEMENT OF PRIOR YEAR BALANCES**

A. Changes in Accounting Principles

For 2007, the Port Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This Statement improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liability associated with OPEB and whether and to what extent progress is being made in funding the plan.

B. Restatement of Prior Year's Balances

During 2007, it was determined that clerical error was made in the preparation of the financial statements, which had the following effect on net assets as they were previously reported.

Net Assets, December 31, 2006	\$1,316,121
Total clerical error	(1,140)
Restated Net Assets, December 31, 2006	<u><u>\$1,314,981</u></u>

4. 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.

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;

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2007

4. CASH AND INVESTMENTS, *Continued*

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.

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.

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 \$18,429 was insured.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2007

4. CASH AND INVESTMENTS, *Continued*

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, 2007, the Port Authority had no investments.

5. CAPITAL ASSETS

	Restated Balance 12/31/06	Additions	Deductions	Balance 12/31/07
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 38,496	-	-	\$ 38,496
Land Improvements	20,000	-	-	20,000
Other Nondepreciable Assets	55,012	-	-	55,012
<i>Total Nondepreciable Capital Assets</i>	<u>113,508</u>	<u>-</u>	<u>-</u>	<u>113,508</u>
<i>Capital Assets, being depreciated:</i>				
Building and Improvements	2,434,824	-	-	2,434,824
Dock Improvements	149,577	330,114	-	479,691
Vehicles	6,824	-	-	6,824
Machinery and Equipment	71,440	-	-	71,440
<i>Total Depreciable Capital Assets</i>	<u>2,662,665</u>	<u>330,114</u>	<u>-</u>	<u>2,992,779</u>
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(1,355,335)	(103,760)	-	(1,459,095)
Dock Improvements	(17,398)	(9,467)	-	(26,865)
Vehicles	(5,460)	(1,365)	-	(6,825)
Machinery and Equipment	(28,122)	(10,679)	-	(38,801)
<i>Total Depreciable Capital Assets</i>	<u>(1,406,315)</u>	<u>(125,271)</u>	<u>-</u>	<u>(1,531,586)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>1,256,350</u>	<u>204,843</u>	<u>-</u>	<u>1,461,193</u>
<i>Total Capital Assets, Net</i>	<u><u>\$ 1,369,858</u></u>	<u><u>204,843</u></u>	<u><u>-</u></u>	<u><u>\$ 1,574,701</u></u>

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2007

6. 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 2007, the Port Authority paid a \$2,000 lease payment to the State of Ohio for these areas.

7. LONG-TERM DEBT

Long-term debt outstanding at December 31, 2007 was as follows:

Business-Type Activities	<u>Interest Rate</u>	<u>12/31/2006 Balance</u>	<u>Deletions</u>	<u>12/31/2007 Balance</u>	<u>Due Within One Year</u>
Loan Payable - City of Conneaut	1.81%	\$ 150,000	(50,000)	\$ 100,000	\$ 50,000

The Port Authority is also liable for a note payable to New Holland Credit Company in monthly installments of \$719 including principal and interest at a fixed rate of 4.75% per annum. The term of the loan is fifty eight months with the final payment due November 30, 2008. The balance as of December 31, 2007 was \$7,665.

8. DEFINED BENEFIT PENSION PLAN

Plan Description – The County 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 percent 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 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 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2007

8. DEFINED BENEFIT PENSION PLAN, *Continued*

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5% of covered payroll. The Port Authority's contribution rate for 2007 was 13.85 percent. For the period January 1 through June 30, a portion of the Port Authority's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent. The Port Authority's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$12,752, \$13,106 and \$6,998 respectively; 92 percent has been contributed for 2007 and 100 percent for 2006 and 2005. There were no Port Authority employees in the member-directed plan for 2007.

9. POSTEMPLOYMENT BENEFITS

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part b premium reimbursement.

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained 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 post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2007

9. POSTEMPLOYMENT BENEFITS, *Continued*

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$4,189, \$4,305 and \$2,299 respectively; 92 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

10. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts which vary from Member to Member.

Plan Members are responsible to notify the Plan of their intent to renew coverages by their renewal date. If a Member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former Member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2007	2006
Assets	\$ 11,136,455	\$ 9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	\$ 6,862,902	\$ 6,290,528

Settled claims have not exceeded this commercial coverage in any of the last three years. There has been no significant reduction in amounts of insurance coverage from 2006.

Workers' Compensation coverage is provided by the State of Ohio. The Port Authority pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY
Notes to the Basic Financial Statements
December 31, 2007

11. LINE OF CREDIT

The Port Authority obtained a \$185,000 line of credit from Conneaut Savings Bank approximately 10 years ago. The line of credit has a fixed rate of 6% with an estimated payoff date of April 2012. The Port Authority makes monthly payment in excess of the monthly minimum amount. The balance on the line of credit at year-end was \$58,692.

12. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (D), no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The Port Authority did not certify funds.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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 Conneaut Port Authority, Ashtabula County, Ohio (Port Authority), a component unit of the City of Conneaut, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 26, 2009, wherein we noted that the Port Authority implemented GASB 45. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Port Authority's financial statements that is more than inconsequential will not be prevented or detected by the Port Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Port Authority's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 07-CPA-001.

The Port Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Port Authority's response and, accordingly, we express no opinion on it.

We also noted other matters that we have reported to management of the Port Authority in a separate letter dated June 26, 2009.

This report is intended solely for the information and use of the audit committee, management and the Board, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.

June 26, 2009

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY, OHIO
For the Year Ended December 31, 2007**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 07-CPA-001

NONCOMPLIANCE CITATION

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Port Authority can authorize the drawing of a warrant for the payment of the amount due. The Port Authority has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less that \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Port Authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Port Authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line items appropriation.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY, OHIO
For the Year Ended December 31, 2007**

SCHEDULE OF FINDINGS – (Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 07-CPA-001- (continued)

The Port Authority did not certify expenditures. Purchase orders were not issued and therefore not encumbered. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Port Authority's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Port Authority. When prior certification is not possible, "then and now" certification should be used.

Port Authority's Course of Action

The Port Authority will certify purchases according to Section 5705.41(D). Previously, the auditor of state allowed a "cover" sheet attached to the invoice as a form of purchase order. Subsequently, prenumbered purchase orders were intended to be utilized, but were not in all instances. The Port Authority may also consider using a software package more conducive to governmental accounting. The use of this software may allow for better tracking of Purchase Orders etc.

**CONNEAUT PORT AUTHORITY
ASHTABULA COUNTY, OHIO
For the Year Ended December 31, 2007**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
06-CPA-001	Ohio Rev. Code Section 5705.41(D)(1), failure to certify/appropriate the amount required for the order or contract.	No	Repeated as 07-CPA-001
06-CPA-002	Ohio Administrative Code Section 117-2-02(A) Maintenance of accounting system	Yes	No Longer Valid



Mary Taylor, CPA
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
SEPTEMBER 8, 2009**