



**PORT AUTHORITY  
ASHTABULA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2009**





# Mary Taylor, CPA

Auditor of State

Board of Directors  
Ashtabula County Port Authority  
25 W Jefferson Street  
Jefferson, Ohio 44047

We have reviewed the *Independent Accountants' Report* of the Ashtabula County Port Authority, prepared by Canter and Company, for the audit period January 1, 2009 through December 31, 2009. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Ashtabula County Port Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 12, 2010

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**PORT AUTHORITY  
ASHTABULA COUNTY**

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20 East McKinley Way, Suite 4  
Poland, Ohio 44514  
Ph: 330.707.9035  
Fax: 888.516.1186

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## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the Port Authority, Ashtabula County, (the Authority), as of and for the year ended December 31, 2009. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Authority's larger (i.e. major) funds separately. While the Authority does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Authority has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2009, or their changes in financial position or cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Port Authority, Ashtabula County, as of December 31, 2009, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2010, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Canter & Associates**

March 16, 2010



**PORT AUTHORITY  
ASHTABULA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>2009</b>
<b>Cash Receipts:</b>	
Service Revenue	\$1,536,555
Operating Grants	1,640,265
Bank Interest Income	886
Other Receipts	149
Economic Development Planning Committee (EDPC) Receipts	50,000
Total Cash Receipts	3,227,855
 <b>Cash Disbursements:</b>	
Current:	
Plant C Expenses	2,010,279
Plant C Revitalization Project Expenses	924,767
Principal Payment on Debt	119,291
Interest Payment on Debt	83,076
Advertising and Promotion	343
Bank Charges	152
Contracted Services	45,009
Business Expenses	78
Dues and Subscriptions	1,300
Employee Expenses	59,920
Insurance	4,428
Office Expenses	2,435
Professional Services	13,700
Rent	1,200
Telephone Expense	1,939
Travel Expense	320
EDPC Disbursements	17,250
Total Cash Disbursements	3,285,487
Total Receipts Under Disbursements	(57,632)
Fund Cash Balance, January 1	582,861
Fund Cash Balance, December 31	\$525,229
<b>Cash Restricted for Economic Development Planning Committee</b>	<b>32,750</b>
<b>Port Authority Cash Balance, December 31</b>	<b>\$492,479</b>

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

**PORT AUTHORITY  
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

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

**D. Fund Accounting**

The Authority has created a single type of fund and a single fund within that type. This fund accounts for the resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

**PORT AUTHORITY  
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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The fund type which the Authority uses is described below:

**1. Proprietary Fund Type**

This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the Authority is an Enterprise Fund.

**Enterprise Fund** – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**E. Budgetary Process**

The Ohio Revised Code requires that the fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations and appropriations may not exceed estimated resources. The primary level of budgetary control is at the function level for the Authority and the Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

**3. Encumbrances**

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made.

A summary of 2009 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**PORT AUTHORITY  
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<b>2009</b>
Demand deposits	\$525,229
Total	\$525,229

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

**NOTE 3 - BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2009 is as follows:

<b>2009 Budgeted vs. Actual Receipts</b>		
<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
\$2,662,769	\$3,227,855	\$565,086

<b>2009 Budgeted vs. Actual Budgetary Expenditures</b>		
<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
\$2,636,669	\$3,285,487	(\$648,818)

**NOTE 4 - RISK MANAGEMENT**

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability

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

**NOTE 5 - OPERATING-TYPE LEASE**

The Port Authority leases space on a month-to-month operating lease. Lease expense for the year ended December 31, 2009 was \$1,200.

**PORT AUTHORITY  
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 6 - LONG-TERM DEBT**

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

Issue	Outstanding 12/31/08	Additions	(Reductions)	Outstanding 12/31/09
<b>Long-Term Note Payable</b>				
North Bend Sewer Extension - 0%	\$80,000	\$0	(\$80,000) *	\$0
<b>OWDA Loan</b>				
Purchase & Improvement - Plant C - 3.0%	1,634,265	0	(119,291)	1,514,974
<b>Other Long-Term Obligations</b>				
Accrued Mineral Rights Payable - n/a	<u>13,362</u>	<u>0</u>	<u>0</u>	<u>13,362</u>
<i>Total Long-Term Obligations</i>	<u><u>\$1,727,627</u></u>	<u><u>\$0</u></u>	<u><u>(\$199,291)</u></u>	<u><u>\$1,528,336</u></u>

In May of 2002, the Ashtabula County Commissioners loaned the Authority \$80,000 at zero percent interest. The funds were to be used for the North Bend sewer extension.

On July 9, 2009, the Board of County Commissioners met in regular session to discuss the settlement agreement between Ashtabula County and the Port Authority regarding the \$80,000 North Bend sewer extension project. Under the original settlement agreement, the Port Authority was to pay the County \$2,222 per acre for each acre of Industrial Park property sold, as repayment of the sewer debt.

\*It has been decided to use tax increment financing (TIF) funds collected from PlastPro 2000 and Veitsch-Radex, America, Inc. (two tenants in the Industrial Park) to repay the debt owed to the County. Ashtabula County resolution number 2009-285 reads as follows; "moneys accumulated in the County's TIF accounts for PlastPro 2000 and Veitsch-Radex America, Inc., which total \$66,732.86, will be transferred to the Ashtabula County Department of Environmental Services and be considered full payment of the debt incurred. The Ashtabula County Port Authority will no longer be held accountable for said debt and the settlement agreement will be considered satisfied".

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

In April of 2000, the Port Authority entered into an agreement with Cambrian Hunter, Inc. for the purpose of settling claims and disputes between the two parties concerning mineral rights on the Industrial Park property purchased by the Port Authority. Under the terms of the agreement, the Port Authority is to pay Cambrian \$500 each time it sells one acre of land of the Industrial Park.

**PORT AUTHORITY  
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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**NOTE 7 - WATER PUMPING SERVICE AGREEMENT**

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

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

<u>If Notice of Termination is Given by Ashco Inc. to the Authority During the Period Listed Below, they must Pay the Corresponding Service Charge</u>	<u>Termination Charge</u>
January 1, 2010 through December 31, 2010	\$243,143
January 1, 2011 through December 31, 2011	205,000
January 1, 2012 through December 31, 2012	165,727
January 1, 2013 through December 31, 2013	125,245
January 1, 2014 through December 31, 2014	83,500
January 1, 2015 through December 31, 2015	40,548
January 1, 2016 through December 31, 2016	0

The agreed upon termination charge schedule does not impact the financial statements due to the fact it is contingent upon a cancellation of the agreement. The monthly operating fees were recorded during 2009 and are reflected on the statement of cash receipts, cash disbursements, and changes in fund cash balances as service revenue.

**NOTE 8 - WATER PUMPING SERVICE GUARANTY**

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

**PORT AUTHORITY  
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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**NOTE 9 - PLANT C REVITALIZATION PROJECT**

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

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

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

**NOTE 10 – ECONOMIC DEVELOPMENT PLANNING COMMITTEE – FISCAL AGENT**

In June of 2009, the Port Authority accepted the role as fiscal agent for the Economic Development Planning Committee (EDPC). The EDPC had a budget of \$75,000 for 2009 and is charged with the responsibility of developing a County strategic plan. Once complete, the County Commissioners will take ownership of plan. During 2009, the Authority received \$50,000 and spent \$17,250 of EDPC money.

At December 31, 2009, the Port Authority was holding \$32,750 of EDPC funds in a checking account on behalf of the EDPC.



20 East McKinley Way, Suite 4  
Poland, Ohio 44514  
Ph: 330.707.9035  
Fax: 888.516.1186

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

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

To the Board of Directors:

We have audited the financial statements of the of the Port Authority, Ashtabula County, (the Authority) as of and for the year ended December 31, 2009 and have issued our report thereon dated March 16, 2010, wherein we noted the Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-001 to be a significant deficiency. 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.



Port Authority  
Ashtabula County  
Report on Internal Control Over Financial  
Reporting and on Compliance and Other  
Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*

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**Compliance and Other Matters**

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated March 16, 2010.

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

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



Canter & Associates

Poland, Ohio

March 16, 2010

**ASHTABULA COUNTY PORT AUTHORITY  
ASHTABULA COUNTY  
DECEMBER 31, 2009**

**SCHEDULE OF FINDINGS**

**FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE  
REPORTED IN ACCORDANCE WITH GAGAS**

**Finding # 2009-001**

**Ohio Revised Code § 5705.41(B)** prohibits a subdivision from making an expenditure unless it has been properly appropriated. The legal level of budgetary control for the Port Authority is the level at which the Board of Directors adopts the original appropriation measure.

Expenditures exceeded appropriations for the Authority at December 31, 2009 as follows:

<b>Fund</b>	<b>Total Carryover Encumbrances &amp; Appropriations</b>	<b>Total Budgetary Expenditures &amp; Encumbrances</b>	<b>Unfavorable Variance</b>
Port Authority	\$2,636,669	\$3,285,487	(\$648,818)

The Board of Directors should monitor expenditures throughout the year at the budgetary level of control, and if necessary, make amendments to them, in order to ensure that they do not exceed appropriations that have been approved. The Port Authority should have estimated resources passed by the Board of Directors and corresponding appropriations made before any expenditure is approved for payment.

**Management response:**

The Board will monitor more closely, and if necessary, increase estimated resources and appropriations when necessary going forward. 2009 was only the 2<sup>nd</sup> year that the Port Authority was subject to Ohio Revised Code budgetary compliance.



**Mary Taylor, CPA**  
Auditor of State

**ASHTABULA COUNTY 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  
MAY 25, 2010**