



**ASHTABULA COUNTY PORT AUTHORITY
ASHTABULA COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2011**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Ashtabula County Port Authority, Ashtabula County, prepared by Canter & Associates, for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 17, 2012

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**PORT AUTHORITY
ASHTABULA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Table of Contents	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – For the Year Ended December 31, 2011	5
Notes to the Financial Statements	6
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	12

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INDEPENDENT ACCOUNTANTS' REPORT

Port Authority
Ashtabula County
25 West Jefferson Street
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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, 2011. 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, 2011, 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, 2011, 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, 2011, 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 June 29, 2012, 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

Poland, Ohio

June 29, 2012

**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, 2011**

	2011
Cash Receipts:	
Service Revenue	\$1,545,062
Operating Grants	120,978
Sale of Scrap Metal	300,000
Escrow Account Deposits	79,739
Contributions and Donations	60,000
Bank Interest Income	340
Other Receipts	154
Total Cash Receipts	2,106,273
Cash Disbursements:	
Current:	
Plant C Expenses	1,167,435
Plant C Revitalization Project Expenses	139,818
Principal Payment on Debt	126,611
Interest Payment on Debt	75,756
Advertising and Promotion	1,235
Bank Charges	243
Business Expenses	1,992
Dues and Subscriptions	596
Personal Services/Salaries	63,721
Insurance	4,282
Office Expenses	3,608
Professional Services	13,039
Rent	1,200
Telephone Expense	2,185
Travel Expense	582
Miscellaneous	6,500
EDPC Disbursements	86,451
Asset Recovery Program Disbursements	1,610
Total Cash Disbursements	1,696,864
Total Receipts Over Disbursements	409,409
Fund Cash Balance, January 1st	473,092
Fund Cash Balance, December 31st	\$882,501
Cash Restricted for Economic Development Planning Committee	17,655
Port Authority Cash Balance, December 31st	\$864,846

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, 2011**

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, 2011**

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 department and object 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 2011 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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:

	2011
Demand deposits	\$882,501
Total	\$882,501

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, 2011 is as follows:

2011 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$5,324,500	\$2,106,273	(\$3,218,227)

2011 Budgeted vs. Actual Budgetary Expenditures		
Appropriation Authority	*Budgetary Expenditures	Variance
\$4,764,639	\$1,861,661	\$2,902,978

*The budgetary basis expenditures presented in the table above includes encumbrances of \$164,797 outstanding at year-end.

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, 2011 was \$1,200.

**PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 6 - LONG-TERM DEBT

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

Issue	Outstanding 12/31/10	Additions	(Reductions)	Outstanding 12/31/11
OWDA Loan				
Purchase & Improvement - Plant C - 3.0%	\$1,392,078	\$0	(\$126,611)	\$1,265,467
Other Long-Term Obligations				
Accrued Mineral Rights Payable - n/a	13,362	0	0	13,362
<i>Total Long-Term Obligations</i>	<u>\$1,405,440</u>	<u>\$0</u>	<u>(\$126,611)</u>	<u>\$1,278,829</u>

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.

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., and Praxair 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;

**PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

<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, 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 2011 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".

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:

**PORT AUTHORITY
ASHTABULA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

In June of 2009, the Port Authority accepted a County contribution for the Economic Development Planning Committee (EDPC). The EDPC had a budget of \$17,655 for 2011 and is charged with the responsibility of developing a County strategic plan. Once complete, the County Commissioners will take ownership of plan. During 2011, no EDPC money was spent.

At December 31, 2011, the Port Authority was still holding \$17,655 of EDPC funds in a checking account to be spent on EDPC approved activity and is presented as restricted cash.

NOTE 11 – RETIREMENT SYSTEMS

The Authority's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011, OPERS members contributed 10 percent of their gross salaries. The Authority contributed an amount equaling 14 percent of participants' gross salaries. The Authority has paid all contributions required through December 31, 2011.

NOTE 12 – SUBSEQUENT EVENT

During 2011, the Authority secured federal grant funding from the United States Economic Development Administration in the amount of \$1,500,000 to upgrade Plant C. In order to secure the grant the Authority was required to match the \$1,500,000 with local funds. In 2012, the Port Authority secured the local match and is expected to receive the grant in full.

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
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, 2011 and have issued our report thereon dated June 29, 2012, 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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We 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

June 29, 2012



Dave Yost • 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
JULY 31, 2012