

CANTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**PORT AUTHORITY
ASHTABULA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



Mary Taylor, CPA

Auditor of State

Board of Directors
Ashtabula County Port Authority
17 N. Market Street
Jefferson, Ohio 44047

We have reviewed the *Independent Accountants' Report* of the Ashtabula County Port Authority, Ashtabula County, prepared by Canter and Company, for the audit period January 1, 2005 through December 31, 2005. 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 19, 2007

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**PORT AUTHORITY
ASHTABULA COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Port Authority
Ashtabula County
17 N. Market 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 years ended December 31, 2005. 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.

Revisions to GAAP would require the Authority to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005. 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 disclosure or to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Authority has elected not to reformat its statements. Since this Authority does not use GAAP to measure financial statement amounts, 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, 2005, 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, 2005, or their changes in financial position 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, 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Authority to include Management's Discussion and Analysis for the year ended December 31, 2005. 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 part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2006, 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 & Company

November 21, 2006

**PORT AUTHORITY OF ASHTABULA COUNTY
ASHTABULA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	2005
Cash Receipts:	
Service Revenue	\$ 2,765
Lease Revenue	\$ 4,983
Payroll Reimbursements	16,866
Property Sale	6,140
Bank Interest Income	84
Other Receipts	708
Total Cash Receipts	31,546
Cash Disbursements:	
Current:	
Interest Payment on Debt	1,201
Principal Payment on Debt	9,936
Wages	21,078
PERS	4,299
Payroll Service	581
Advertising	1,008
Bank Fees	58
Payroll Taxes	747
Workers Compensation	959
Office Supplies	498
Printing & Reproduction	158
Postage & Shipping	150
Traning Seminars	45
Audit	3,400
Repairs	37
Utilities	2,181
Auto Expense	1,593
Grant Application Fees	4,103
Insurance	1,485
County Reimbursement	3,070
Contracted Services	139
Miscellaneous	273
Rent	2,700
Total Cash Disbursements	59,699
Total Receipts (Under) Disbursements	(28,153)
Fund Cash Balances, January 1	39,990
Fund Cash Balances, December 31	\$ 11,837

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

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**PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Port Authority of Ashtabula County, (the Authority) was created pursuant to Sections 4582.202 through 4582.58, 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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 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. The Authority did not use the encumbrance method of accounting.

A summary of 2005 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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

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:

	2005
Demand deposits	\$11,837
Total	\$11,837

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending 2005 is as follows:

2005 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$132,552	\$22,158	(\$110,394)

2005 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$120,441	\$42,153	\$78,288

**PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

4. RISK MANAGEMENT

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability

5. OPERATING-TYPE LEASE

The Port Authority leases space on a month-to-month operating lease. Lease expense for the year ended December 31, 2005 was \$2,700.

6. LONG-TERM DEBT

A. Outstanding Notes

Sky Bank

The Port Authority obtained a note September 26, 2000 in the principal amount of \$123,470 for the purpose of developing an industrial park which is secured by the property known as North Bend and State Route #45. The Authority received approval for a reduction of the interest from 9.25% to 6.25% beginning September 1, 2003, until the note is fully paid. The note was subsequently paid off in June of 2006.

2005

Sky Bank Note at 6.25%, payable
in 48 monthly installements of \$1,103.
The loan is secured by land.

\$ 19,181

B. Outstanding Loans

County Commissioners

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. The loan requires payments when lots are sold. The payments are to be in the amount of \$2,222 per acre sold.

The Port Authority has asked that the county forgive the loan due to Tax Increment Financing (T.I.F) agreements being signed by Foseco and PlastPro 2000 in 2003. The principal amount of \$80,000 has been set aside from the T.I.F. proceeds and it is expected that the note will be canceled.

**PORT AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. LONG-TERM DEBT - continued

	<u>2005</u>
Ashtabula County Commissioners note of \$80,000 payable in installments of \$2,222 as lots are sold from the North Bend property.	<u>\$ 80,000</u>

7. SUBSEQUENT EVENTS

- A. The note to Sky Bank was paid off and the mortgage released on the North Bend property in July of 2006.
- B. The Authority received a grant from the Ohio Department of Development in August of 2006 in the amount of \$500,000. This grant is for the acquisition, development, and improvement of the Plant C Raw Water pump station in Ashtabula Township. This project is expected to be completed by October 27, 2007.
- C. The Authority received a grant from the Ohio Water Development Authority in May of 2006 for a maximum amount of \$3,000,000. This grant is also for the acquisition, development, and improvement of the Plant C Raw Water pump station in Ashtabula Township. This grant carries a term of 20 years and bears an interest rate of 3%. The Authority is to make semi-annual payments starting July 1, 2007 and ending January 1, 2027. The payments are to come from pledged revenues from the ownership and operation of the water plant.
- D. The Authority entered into a Purchase Agreement with the Cleveland Electric Illuminating Company to purchase Plant C in April of 2006. The purchase price was \$1,100,000 and will be paid from the above referenced grants.

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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
17 N. Market Street
Jefferson, Ohio 44047

We have audited the financial statements of the Ashtabula County Port Authority (the Authority), as of and for the year ended December 31, 2005, and have issued our report thereon dated November 21, 2006, 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

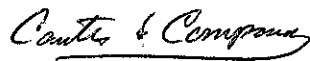
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Standards*

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In a separate letter to the Authority's management dated November 21, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

Canter & Company



Youngstown, Ohio

November 21, 2006



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
FEBRUARY 1, 2007**