



Dave Yost • Auditor of State



**CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY  
DECEMBER 31, 2017**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Conneaut Port Authority, Ashtabula County, Ohio (the Authority), a component unit of the City of Conneaut, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the 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, 2017, and the changes in financial position and, its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 25, 2018

CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2017  
UNAUDITED

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The discussion and analysis of the Conneaut Port Authority's (the Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2017. 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 2017 are as follows:

Net position decreased by \$11,077 which represents a 1.1% decrease from 2016.

Total assets increased \$13,323, which represents a 1.0% increase from 2016. Total liabilities increased \$60,177 which represents a 13.1% increase from 2016.

Total cash increased \$27,401 or 48.7% due to operating materials and supplies.

Net Investment in Capital Assets increased \$15,218, or 1.3% due to the purchase of assets offset by current year depreciation expense.

**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 Net Position and Statement of Revenues, Expenses and Changes in Net Position 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 that position.

**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 position, financial position and cash flows. An enterprise fund accounts for any activity for which a fee is charged 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 2017?" 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 position and the changes in net position. This change in net position 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.

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

CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2017  
UNAUDITED

**THE CONNEAUT PORT AUTHORITY AS A WHOLE**

The Statement of Net Position looks at the Port Authority as a whole. Table 1 provides a summary of the Port Authority's net position for 2017 compared to 2016.

**(TABLE 1)  
NET POSITION**

	Business Type Activities		
	2017	2016	Change
<b>ASSETS</b>			
Current and Other Assets	\$ 99,417	\$ 71,311	28,106
Capital Assets, Net of Depreciation	1,309,620	1,324,403	(14,783)
Total Assets	1,409,037	1,395,714	13,323
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension - OPERS	118,897	84,976	33,921
<b>LIABILITIES</b>			
Current and Other Liabilities	128,328	122,773	(5,555)
Long-term Liabilities due within One Year	30,000	30,000	-
Long-term Liabilities due in more than One Year	360,520	305,898	(54,622)
Total Liabilities	518,848	458,671	(60,177)
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension - OPERS	2,047	3,903	1,856
<b>NET POSITION</b>			
Net Investment In Capital Assets	1,189,621	1,174,404	15,217
Unrestricted	(182,582)	(156,288)	(26,294)
Total Net Position	\$ 1,007,039	\$ 1,018,116	(11,077)

Total assets increased \$13,323. Current and other assets increased \$28,106, due to the reduced operating expenses.

Net position decreased \$11,077 which includes capital asset depreciation for the current year of \$68,225.



CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2017  
UNAUDITED

Table 2 shows the changes in net position for the year ended December 31, 2017, compared to the year ended December 31, 2016.

**(TABLE 2)**  
**CHANGES IN NET POSITION**

	Business-Type Activities		
	2017	2016	Change
<b>OPERATING REVENUES</b>			
Dockage	\$ 389,278	\$ 385,810	\$ 3,468
Property Lease	51,221	56,161	(4,940)
Other Revenue	450	500	(50)
Total Operating Revenues	<u>440,949</u>	<u>442,471</u>	<u>(1,522)</u>
<b>OPERATING EXPENSES</b>			
Salaries and Benefits	231,783	203,500	28,283
Contractual Services	65,202	64,697	505
Insurance	19,286	18,492	794
Utilities	42,939	44,529	(1,590)
Materials and Supplies	20,231	61,242	(41,011)
Depreciation Expense	68,225	84,399	(16,174)
Other Expenses	1,766	2,781	(1,015)
Total Operating Expenses	<u>449,432</u>	<u>479,640</u>	<u>(30,208)</u>
Operating Loss	<u>(8,483)</u>	<u>(37,169)</u>	<u>28,686</u>
<b>NON-OPERATING REVENUES(EXPENSES)</b>			
Total Non-operating Revenues/Expenses	(2,594)	1,267	(3,861)
Change in Net Position	<u>\$ (11,077)</u>	<u>\$ (35,902)</u>	<u>\$ 24,825</u>
Net Position Beginning of Year	<u>1,018,116</u>	<u>1,054,018</u>	n/a
Net Position End of Year	<u>\$ 1,007,039</u>	<u>\$ 1,018,116</u>	<u>\$ (11,077)</u>

Total Operating Expenses decreased \$30,208, or 6.3%, due to decreased purchases of materials and supplies, as well as lower depreciation expense.

CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2017  
UNAUDITED

**CAPITAL ASSETS**

The largest portion of the Authority's net position is its net investment in capital assets. The Authority uses these capital assets to provide services to the businesses and public using the Authority. Table 3 shows 2017 balances compared with 2016.

(Table 3)  
**CAPITAL ASSETS AT DECEMBER 31, 2017 (NET OF DEPRECIATION)**

	Business-Type Activities		
	2017	2016	Change
Land	\$ 74,713	\$ 74,713	\$ -
Land Improvements	31,021	31,021	-
Other Nondepreciable Assets	55,012	55,012	-
Construction In Progress	-	5,000	(5,000)
Building and Improvements	301,620	265,276	36,344
Dock Improvements	825,086	877,597	(52,511)
Vehicles	-	1,166	(1,166)
Machinery and Equipment	22,168	14,618	7,550
Totals	<u>\$ 1,309,620</u>	<u>\$ 1,324,403</u>	<u>\$ (14,783)</u>

Capital assets decreased \$14,783 due to the purchase of building improvements and machinery and equipment totaling \$58,442 offset by current year depreciation of \$68,225. For additional information refer to Note 4 of the basic financial statements.

**DEBT**

At December 31, 2017 the Port Authority had \$120,000 in a long-term obligation to the City of Conneaut to re-pay notes issued on behalf of the Port Authority for dock improvements. The balance of the line of credit, used for operating expenses, was zero at year end. For additional information refer to Notes 6 and 7 of the basic financial statements.

**THE FUTURE**

The Port Authority is strong financially; planning to continue with the capital improvements to the marinas and aggressively pursuing economic growth for the community.

**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 Wally Dunne, Treasurer, P.O. Box 218, Conneaut, Ohio 44030, 440-593-1300, or e-mail at [cpaadmin@conneautportauthority.com](mailto:cpaadmin@conneautportauthority.com).

**CONNEAUT PORT AUTHORITY**  
**ASHTABULA COUNTY**  
*Statement of Net Position*  
*December 31, 2017*

	<b>Port Authority</b>
<b>Assets</b>	
Cash	\$ 83,617
Prepaid Expenses	10,589
Gasoline Inventory	5,211
Nondepreciable Capital Assets	160,746
Depreciable Capital Assets, Net	1,148,874
<i>Total Assets</i>	1,409,037
<b>Deferred Outflows of Resources</b>	
Pension	118,897
<b>Liabilities</b>	
Accounts Payable	8,518
Accrued Wages and Benefits	3,906
Unearned Revenue	111,280
Deposits on Future Revenue	4,280
Current Portion of Long-term Debt	30,000
Accrued Interest Payable	344
Long-Term Debt, Net of Current Portion	90,000
Net Pension Liability	270,520
<i>Total Liabilities</i>	518,848
<b>Deferred Inflows of Resources</b>	
Pension	2,047
<b>Net Position</b>	
Net Investment In Capital Assets	1,189,620
Unrestricted	(182,581)
<i>Total Net Position</i>	\$ 1,007,039

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

**CONNEAUT PORT AUTHORITY**  
**ASHTABULA COUNTY**  
*Statement of Revenues, Expenses*  
*and Changes in Net Position*  
*For the Year Ended December 31, 2017*

	<b>Port Authority</b>
<b>Operating Revenues</b>	
Dockage	\$ 389,278
Property Lease	51,221
Other Revenues	450
	440,949
<b>Operating Expenses</b>	
Salaries and Benefits	231,783
Contractual Services	65,202
Insurance	19,286
Utilities	42,939
Materials and Supplies	20,231
Depreciation Expense	68,225
Other	1,766
	449,432
<i>Total Operating Revenues</i>	<i>440,949</i>
<i>Operating (Loss)</i>	<i>(8,483)</i>
<b>Non-Operating Revenues (Expenses)</b>	
Contributions	1,600
Grant Income	500
Loss on Sale of Asset	(117)
Unrealized Loss on Inventory	(63)
Grant Expenses	-
Interest Expense	(4,514)
	(2,594)
<i>Total Non-Operating Revenues (Expenses)</i>	<i>(2,594)</i>
<i>Change in Net Position</i>	<i>(11,077)</i>
<i>Net Position, Beginning of Year</i>	<i>1,018,116</i>
<i>Net Position, End of Year</i>	<i>\$ 1,007,039</i>

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

**CONNEAUT PORT AUTHORITY**  
**ASHTABULA COUNTY**  
*Statement of Cash Flows*  
*For the Year Ended December 31, 2017*

	<b>Port Authority</b>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 443,999
Cash Payments for Goods and Services	(144,328)
Cash Payments to and on Behalf of Employees	(186,289)
<i>Net Cash Provided by Operating Activities</i>	113,382
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Cash Received from Grants and Contributions	2,100
Cash Received from Sale of Scrap	(117)
Principal Paid on Long-Term Debt and Line of Credit	(30,000)
Interest Paid on Debt	(4,522)
Purchase of Capital Assets	(53,442)
<i>Net Cash Used in Capital and Related Financing Activities</i>	(85,981)
<i>Net Increase in Cash and Cash Equivalents</i>	27,401
<i>Cash and Cash Equivalents at Beginning of Year</i>	56,216
<i>Cash and Cash Equivalents at End of Year</i>	\$ 83,617
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
<i>Operating Loss</i>	\$ (8,483)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	68,225
(Increase) Decrease in Assets:	
Prepaid Expenses	(768)
Deferred Outflows of Resources	(33,921)
Increase (Decrease) in Liabilities:	
Accounts Payable	5,864
Accrued Wages and Benefits	(3,351)
Unearned Income	2,605
Deposits on Future Revenue	445
Net Pension Liability	84,622
Deferred Inflows of Resources	(1,856)
<i>Net Cash Provided by Operating Activities</i>	\$ 113,382

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

**1. DESCRIPTION OF CONNEAUT PORT AUTHORITY**

The Conneaut Port Authority, Ashtabula County, (the 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. The Port Authority is a component unit of the City of Conneaut.

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. The Governmental Accounting Standards board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Basis of Presentation**

The Authority's basic financial statements consist of a statement of net position, statement of revenues expenses and changes in net position, and a statement of cash flows. The Authority reports its operations in an enterprise fund. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Authority follows the business-type activities reporting requirements of GASB Statement No. 34. In accordance with this Statement, the accompanying basic financial statements are reported on an Authority-wide basis.

GASB Statement No. 34 requires the following, which collectively make up the Authority's basic financial statements:

Management Discussion and Analysis  
Basic Financial Statements  
    Statement of Net Position  
    Statement of Revenues, Expenses, and Changes in Net Position  
    Statement of Cash Flows

**B. Measurement Focus**

The enterprise fund is accounted for on a flow of economic resources measurement focus. All asset and liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Port Authority finances and meets the cash flow needs of its activities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 Non-exchange 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.

Non-exchange 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 Port Authority on a reimbursement basis.

**Unearned Revenue** Unearned 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.

**Deferred Outflows/Inflows of Resources** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources were reported on the Statement of net position for pension. The deferred inflows of resources related to pension are explained in Note 8.

**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 2017, 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 the first-in, first-out basis and expensed 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 of 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Capital Assets (Continued)**

All capital assets, except land, land improvements, other non-depreciable assets, 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
Dock Improvements	10 – 40 years
Machinery and Equipment	3 – 10 years
Vehicles	5 – 20 years

**G. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital asset, 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 position is 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. No extraordinary or special items occurred within the audit period.

**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.



### 3. 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.

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

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

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

CONNEAUT PORT AUTHORITY  
ASHTABULA COUNTY  
Notes to the Basic Financial Statements  
December 31, 2017

**3. CASH AND INVESTMENTS (Continued)**

**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 \$83,617 was insured.

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 the Port Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Investments**

Investments are reported at fair value. As of December 31, 2017, the Port Authority had no investments.

**4. CAPITAL ASSETS**

	Balance 12/31/16	Additions	Deductions	Balance 12/31/17
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 74,713	\$ -	\$ -	\$ 74,713
Land Improvements	31,021	-	-	31,021
Other Nondepreciable Assets	55,012	-	-	55,012
Construction In Progress	5,000	-	(5,000)	-
<i>Total Nondepreciable Capital Assets</i>	<u>165,746</u>	<u>-</u>	<u>(5,000)</u>	<u>160,746</u>
<b>Capital Assets, being depreciated:</b>				
Building and Improvements	2,584,470	44,153	-	2,628,623
Dock Improvements	1,231,106	-	-	1,231,106
Vehicles	16,823	-	-	16,823
Machinery and Equipment	137,361	14,289	-	151,650
<i>Total Depreciable Capital Assets</i>	<u>3,969,760</u>	<u>58,442</u>	<u>-</u>	<u>4,028,202</u>
<b>Less Accumulated Depreciation:</b>				
Building and Improvements	(2,319,194)	(7,809)	-	(2,327,003)
Dock Improvements	(353,509)	(52,511)	-	(406,020)
Vehicles	(15,657)	(1,166)	-	(16,823)
Machinery and Equipment	(122,743)	(6,739)	-	(129,482)
<i>Total Depreciable Capital Assets</i>	<u>(2,811,103)</u>	<u>(68,225)</u>	<u>-</u>	<u>(2,879,328)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>1,158,657</u>	<u>(9,783)</u>	<u>-</u>	<u>1,148,874</u>
<b>Total Capital Assets, Net</b>	<u>\$ 1,324,403</u>	<u>\$ (9,783)</u>	<u>\$ (5,000)</u>	<u>\$ 1,309,620</u>

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**5. 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.

**6. LONG-TERM OBLIGATIONS**

Changes in the Port Authority's long term obligations were as follows:

Business-Type Activities	Interest Rate	12/31/2016 Balance	Additions	Deletions	12/31/2017 Balance	Due Within One Year
City of Conneaut	2.38%	\$ 150,000	\$ -	\$ (30,000)	\$ 120,000	\$ 30,000

The City of Conneaut issued notes on behalf of the Port Authority for dock improvements. All long term obligations will be paid with dock rental receipts.

The following is a summary of the future annual debt service and interest requirements on the long term obligations:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 30,000	\$ 2,856	\$ 32,856
2019	30,000	2,142	32,142
2020	30,000	1,428	31,428
2021	30,000	714	30,714
	<u>\$ 120,000</u>	<u>\$ 7,140</u>	<u>\$ 127,140</u>

**7. LINE OF CREDIT**

The Authority also has a line of credit established with Conneaut Savings Bank in the amount of \$350,000, with a variable interest rate; currently 3%. At December 31, 2017, there was no balance due on this line of credit.

**8. DEFINED BENEFIT PENSION PLAN**

*Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

The net pension liability represents the Port Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Port Authority's obligation for this liability to annually required payments. The Port Authority cannot control benefit terms or the manner in which pensions are financed; however, the Port Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on the accrual basis of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description – The Port Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Port Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional pension plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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**8. DEFINED BENEFIT PENSION PLAN (Continued)**

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0 %</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port Authority's contractually required contribution was \$19,071 for 2017. Of this amount, \$782 is reported as accrued wages and benefits.

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**8. DEFINED BENEFIT PENSION PLAN (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port Authority's proportion of the net pension liability was based on the Port Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS			Total
	Traditional	Combined	Member-Directed	
Proportion of the Net Pension Liability				
Current Measurement Date	0.001195%	0.001516%	0.000347%	
Prior Measurement Date	0.001077%	0.001340%	0.000592%	
Change in Proportionate Share	<u>0.000118%</u>	<u>0.000176%</u>	<u>-0.000245%</u>	
Proportionate Share of the Net Pension Liability (Asset)	\$271,365	(\$844)	(\$1)	\$270,520
Pension Expense	\$57,611	\$610	\$2	\$58,223

At December 31, 2017, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS			Total
	Traditional	Combined	Member-Directed	
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$368	\$0	(\$1)	\$367
Changes of assumptions	43,042	206	2	43,250
Net difference between projected and actual earnings on pension plan investments	40,412	206	1	40,619
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	15,848	(263)	5	15,590
Port Authority contributions subsequent to the measurement date	18,147	708	216	19,071
Total Deferred Outflows of Resources	<u>\$117,817</u>	<u>\$857</u>	<u>\$223</u>	<u>\$118,897</u>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	<u>\$1,615</u>	<u>\$432</u>	<u>\$0</u>	<u>\$2,047</u>

\$19,071 reported as deferred outflows of resources related to pension resulting from Port Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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**8. DEFINED BENEFIT PENSION PLAN (Continued)**

Year Ending December 31:	Traditional	Combined	Member-Directed	Total
2018	\$19,611	(\$57)	\$1	\$19,555
2019	\$19,611	(57)	1	19,555
2020	\$19,611	(57)	1	19,555
2021	\$19,611	(57)	1	19,555
2022 & Thereafter	\$19,611	(55)	3	19,559
Total	<u>\$98,055</u>	<u>(\$283)</u>	<u>\$7</u>	<u>\$97,779</u>

**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015 are presented below.

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.5 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent,	3 percent, simple through 2018, then 2.8 percent,
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2016, mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disable retiree mortality tables were determined by applying the MP-2015 mortality improvement scale to the above described tables.

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

For 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h)Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %



**8. DEFINED BENEFIT PENSION PLAN (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Port Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Port Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Port Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease █ (6.50%)	Current Discount Rate █ (7.50%)	1% Increase (8.50%)
Port Authority's proportionate share of the net pension liability	\$414,634	\$270,520	\$150,478

**9. POST-EMPLOYMENT BENEFITS**

**Plan Description** – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care of Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, 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 Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

**9. POST-EMPLOYMENT BENEFITS (Continued)**

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018, decreased to 0.0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay of a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for the Member-Directed Plan participants for 2017 was 4.0 percent.

The Port Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$1,588 \$3,243 and \$2,835 respectively; 96 percent has been contributed for 2017 and 100 percent for 2016 and 2015.

**10. RISK MANAGEMENT**

The Port Authority is exposed to various risks of property and casualty losses, and injuries to employees.

The Port Authority insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Port Authority belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	<u>\$31,448,315</u>

**10. RISK MANAGEMENT (Continued)**

At December 31, 2017, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Port Authority's share of these unpaid claims collectible in future years is approximately \$12,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP in 2017</u>
\$19,286

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**11. CONTINGENCIES**

Grants

Amounts grantor agencies pay to the Port Authority are subject to audit and adjustment by the grantor, principally the Federal government. Grantors may require refunding any disallowed cost or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recapture amounts would not have a material adverse effect on the overall financial position at December 31, 2017.

Litigations and Claims

In the normal course of operations, the Port Authority may be subject to litigation and claims. At December 31, 2017, the Port Authority was not aware of any such matters that would have a material effect on the financial statements.

**12. SUBSEQUENT EVENTS**

There were no subsequent events noted through the date of the report, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.

**Conneaut Port Authority**  
Ashtabula County, Ohio

*Required Supplementary Information*  
*Schedule of the Authority's Proportionate Share of the Net Pension Liability/Net Pension Asset*  
*Ohio Public Employees Retirement System (OPERS)*  
*Last Four Years*

	2016	2015	2014	2013
<i>Traditional Plan</i>				
Authority's Proportion of the Net Pension Liability	0.001195%	0.001077%	0.0009410%	0.0009410%
Authority's Proportionate Share of the Net Pension Liability	\$271,365	\$186,550	\$113,495	\$110,932
Authority's Covered-Employee Payroll	\$154,537	\$134,059	\$115,390	\$113,651
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	175.60%	139.16%	98.36%	97.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
<i>Combined Plan</i>				
Authority's Proportion of the Net Pension Asset	0.001516%	0.001340%	0.0005130%	0.0005130%
Authority's Proportionate Share of the Net Pension Asset	\$844	\$652	\$198	\$54
Authority's Covered-Employee Payroll	\$5,900	\$4,875	\$1,800	\$969
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll	14.31%	13.37%	11.00%	5.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	116.67%	116.90%	114.83%	104.56%

**Conneaut Port Authority**  
Ashtabula County, Ohio

*Required Supplementary Information*  
*Schedule of the Authority's Proportionate Share of the Net Pension Liability/Net Pension Asset*  
*Ohio Public Employees Retirement System (OPERS)*  
*Last Four Years*

	2016	2015	2014	2013
<i>Member-Directed Plan</i>				
Authority's Proportion of the Net Pension Asset	0.000347%	0.000592%	N/A	N/A
Authority's Proportionate Share of the Net Pension Asset	\$1	\$2	N/A	N/A
Authority's Covered-Employee Payroll	\$1,800	\$2,825	N/A	N/A
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll	0.06%	0.07%	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.00%	100.00%	N/A	N/A

Note: Information prior to 2013 is not available.

Amounts presented as of the Authority's measurement date which is the prior year end.

**Conneaut Port Authority**  
Ashtabula County, Ohio

*Required Supplementary Information*  
*Schedule of Authority Contributions*  
*Ohio Public Employees Retirement System (OPERS)*  
*Last Ten Years*

	2017	2016	2015	2014
<i>Traditional Plan</i>				
Contractually Required Contribution	\$18,147	\$18,544	\$16,086	\$13,846
Contributions in Relation to the Contractually Required Contribution	18,147	18,544	16,086	13,846
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority Covered-Employee Payroll	\$151,222	\$154,537	\$134,059	\$115,390
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	12.00%
<i>Combined Plan</i>				
Contractually Required Contribution	\$708	\$708	\$585	\$216
Contributions in Relation to the Contractually Required Contribution	708	708	585	216
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority Covered-Employee Payroll	\$5,900	\$5,900	\$4,875	\$1,800
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	12.00%
<i>Member-Directed Plan</i>				
Contractually Required Contribution	\$216	\$216	\$339	\$0
Contributions in Relation to the Contractually Required Contribution	216	216	339	0
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority Covered-Employee Payroll	\$1,800	\$1,800	\$2,825	\$0
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	n/a

**Conneaut Port Authority**  
Ashtabula County, Ohio

*Required Supplementary Information*  
*Schedule of Authority Contributions*  
*Ohio Public Employees Retirement System (OPERS)*  
*Last Ten Years*

2013	2012	2011	2010	2009	2008
\$14,775	\$14,445	\$13,478	\$12,810	\$6,187	\$4,434
14,775	14,445	13,478	12,810	6,187	4,434
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$113,651	\$144,450	\$134,780	\$132,335	\$75,728	\$63,343
13.00%	10.00%	10.00%	9.68%	8.17%	7.00%
\$126	\$0	\$0	\$0	\$0	\$0
126	0	0	0	0	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$969	\$0	\$0	\$0	\$0	\$0
13.00%	n/a	n/a	n/a	n/a	n/a
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$0	\$0	\$0	\$0	\$0	\$0
n/a	n/a	n/a	n/a	n/a	n/a

**Conneaut Port Authority**  
Ashtabula County, Ohio

*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2017*

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2017.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Conneaut Port Authority, Ashtabula County, (the Authority) a component unit of the City of Conneaut, as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated June 25, 2018.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 25, 2018



# Dave Yost • 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  
JULY 10, 2018