

**LORAIN COUNTY
PORT AUTHORITY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008



Mary Taylor, CPA
Auditor of State

Board Members
Lorain County Port Authority
226 Middle Avenue
Elyria, Ohio 44035

We have reviewed the *Independent Accountants' Report* of the Lorain County Port Authority, Lorain County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lorain County Port Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 13, 2009

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**LORAIN COUNTY PORT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2008**

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors
Lorain County Port Authority
226 Middle Avenue
Elyria, Ohio 44035

We have audited the accompanying financial statements of the business-type activities of the Lorain County Port Authority, Lorain County, Ohio, (the Authority), a component unit of Lorain County, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the Authority's financial statements as listed in the table of contents. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Lorain County Port Authority, Lorain County, Ohio, as of December 31, 2008, a component unit of Lorain County, Ohio, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2009, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Varney, Fink & Associates

VARNEY FINK & ASSOCIATES
Certified Public Accountants

June 16, 2009

**LORAIN COUNT PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

The following Management's Discussion and Analysis (MD&A) of the Lorain County Port Authority's (the Authority) financial performance provides an introduction to the financial statements for the year ended December 31, 2008. The information contained in this MD&A should be considered in conjunction with the information contained in the Authority's financial statements.

FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis of accounting. The Authority is structured as a single business-type activity with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. The following statements are included:

Statement of Net Assets – presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Assets – has been included to present information showing how the Authority's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Statement of Cash Flows – presents only the flow of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement.

FINANCIAL POSITION

The following represents the Authority's financial position for the years ended December 31, 2008 and December 31, 2007:

**Table 1
Lorain County Port Authority
Net Assets**

	2008	2007
ASSETS:		
Cash and Cash Equivalents	\$22,488	\$13,752
Intergovernmental Receivables	\$44,250	\$0
Restricted Assets	2,506,300	2,504,713
Capital Assets, net of depreciation	1,500,000	0
Total Assets	4,073,038	2,518,465
LIABILITIES:		
Accounts Payable	19,682	7,088
Intergovernmental Payable	171,414	126,864
Total Liabilities	191,096	133,952
NET ASSETS:		
Invested in Capital Assets, Net	1,500,000	0
Restricted - Bond fund Program Reserves	2,506,300	2,504,713
Unrestricted (Deficit)	(124,358)	(120,200)
Total Net Assets	\$3,881,942	\$2,384,513

**LORAIN COUNTY PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

2008 was the seventh year of operations for the Authority. Restricted Assets and Restricted Net Assets represents grant funds from the State of Ohio Department of Development and Lorain County along with designated interest earnings. These funds are held in a trust with U.S. Bank to cover debt service payments in the event a borrower participating in the Authority's Bond Fund Program is unable to make the required payments.

"Intergovernmental Payables" represents the cumulative operating costs incurred by the Authority that have been paid by Lorain County along with interest earnings on the restricted bond program reserves granted by the County and the State of Ohio. In addition, the County and the Authority shared the expenses that were incurred in order to secure a County Guaranty (a pledge of non-tax revenue dollars to secure the financing) for the Lorain County Visitor's Bureau project. All other legal fees were paid out of the transaction proceeds. It is anticipated that the Authority will repay the County for the cumulative costs as its operations improve.

The following represents the Authority's summary of changes in net assets:

**Table 2
Lorain County Port Authority
Revenues, Expenses and Changes in Net Assets**

	2008	2007
Operating Revenues	\$118,935	\$20,866
Operating Expenses	(146,401)	(65,221)
Operating (Loss)	(27,466)	(44,355)
Non-Operating Revenues	24,895	25,494
(Loss) Before Capital Contributions	(2,571)	(18,861)
Capital Contributions	1,500,000	0
Change in Net Assets	1,497,429	(18,861)
Net Assets, Beginning of Year	2,384,513	2,403,374
Net Assets, End of Year	<u>\$3,881,942</u>	<u>\$2,384,513</u>

A comparative analysis of the Authority's financial position and change in net assets is as follows:

- Operating Revenues increased approximately \$98,000 from 2007 due mainly to an increase in charges for services received.
- Operating Expenses increased approximately \$81,000 from 2007. The majority of the increase was due to an increase in professional services.

Due to a slower than expected economy and limited financial resources available to the Lorain County Port Authority, growth has been below expectations. The difficult national economy combined with the pressure placed on rating agencies by the Federal Bank Regulators caused by concerns with "hedge funds" will likely cause a slow down in the Port Authority's ability to issue bond debt in the near future. Wise leaders may take Port Authorities in a different direction short-term. At the September 26, 2007 quarterly meeting, William Ulik was named director. He served in this position until his resignation on February 29, 2008 at which time Ronald Twining assumed the role of acting director. Mr. Twining was officially named Acting Director at the April 21, 2008 special meeting. We continue to receive applications for Port Authority lending, with five prospective borrowers at this time.

The Authority continues to receive applications and associated application fees from various companies. These applications are generating future activity for the growth of the Authority. The County has directed all Industrial Revenue Bonds (IRB) be processed by the County Port Authority beginning mid year 2008. Prior to this shift in

**LORAIN COUNTY PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

policy by the Board of Commissioners the Lorain County Industrial and Economic Industrial Development Corporation (CIC) had issued IRB debt. All fees and interest payments are made and retained by the County Port Authority generated by IRB's.

Further, a legal opinion has been rendered for the Lorain County Port Authority that they can own, buy, sell and accept donations of real property including but not limited to Land and buildings. The County Port Authority is working at years end to own multiple parcels of land both improved and unimproved properties.

CAPTIAL ASSETS

The Authority's investment in capital assets as of December 31, 2008, amounts to \$1,500,000 (net of accumulated depreciation). This investment in capital assets consists of a building. The total increase in the City's investment in capital assets for the current year was due to a donation of a building.

Table 3
Lorain County Port Authority
Capital Assets, Net of Depreciation

	2008	2007
Building	\$1,500,000	\$0

Additional detailed information relating to the Authority's capital assets is contained in Note 5 of the Notes to the Basic Financial Statements.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Lorain County Port Authority finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Mr. Ronald F. Twining, Director, Lorain County Port Authority, 226 Middle Avenue, Elyria, OH 44035.

Lorain County Port Authority
Statement of Net Assets
As of December 31, 2008

Assets

Current Assets:

Cash and Cash Equivalents	\$22,488
Intergovernmental Receivables	44,250

Noncurrent Assets:

Restricted Bond Fund Program Reserves	2,506,300
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Capital Assets:

Depreciable Capital Assets, Net	<u>1,500,000</u>
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Total Assets	<u>4,073,038</u>
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Liabilities

Current Liabilities

Accounts Payable	19,682
Intergovernmental Payable	<u>171,414</u>

Total Liabilities	<u>191,096</u>
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Net Assets

Invested in Capital Assets, Net	1,500,000
Restricted - Bond Fund Program Reserves	2,506,300
Unrestricted (Deficit)	<u>(124,358)</u>

Total Net Assets	<u><u>\$3,881,942</u></u>
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The notes to the financial statements are an integral part of this statement.

Lorain County Port Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2008

Operating Revenue	
Application Fees	\$2,000
Charges for Services	102,000
CVB-Other Monthly Fees	14,935
	<hr/>
Total Operating Revenue	118,935
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Operating Expenses	
Advertising	1,193
Bank Fees	36,250
Dues	100
Insurance	100
Miscellaneous	250
Postage	99
Professional Services	103,009
Trustee Fees	5,400
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Total Expenses	146,401
	<hr/>
Operating (Loss)	(27,466)
Non-Operating Revenues (Expenses)	
Grants-County	25,000
Interest Income	58,884
Interest Payment to State/County	(58,989)
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Total Non-Operating Revenues (Expenses)	24,895
	<hr/>
(Loss) Before Capital Contributions	(2,571)
Capital Contributions	1,500,000
	<hr/>
Change in Net Assets	1,497,429
Total Net Assets, Beginning of Year	2,384,513
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Total Net Assets, End of Year	<u>\$3,881,942</u>

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

Lorain County Port Authority
Statement of Cash Flows
For the Year Ended December 31, 2008

<u>Cash Flow From Operating Activity</u>	
Cash Received from Customers	\$118,935
Cash Payments to Suppliers for Goods and Services	<u>(133,807)</u>
Net Cash (Used) for Operating Activities	<u>(14,872)</u>
<u>Cash Flow From Noncapital Financing Activities</u>	
Grants Received	<u>25,000</u>
<u>Cash Flow From Investing Activities</u>	
Interest Received	58,884
Interest Paid	<u>(58,689)</u>
Net Cash Provided by Investing Activities	<u>195</u>
Net Increase in Cash and Cash Equivalents	10,323
Cash and Cash Equivalents, Beginning of Year (Includes Restricted Bond Fund Program Reserves)	<u>2,518,465</u>
Cash and Cash Equivalents, End of Year (Includes Restricted Bond Fund Program Reserves)	<u><u>\$2,528,788</u></u>
Reconciliation of Operating Income to Net Cash <u>(Used) for Operating Activities</u>	
Operating (Loss)	(\$27,466)
Accounts Payable	<u>12,594</u>
Net Cash (Used) for Operating Activities	<u><u>(\$14,872)</u></u>

Non-Cash Capital Activities:

A building with a \$1,500,000 FMV was donated to Lorain County Port Authority in December 2008.

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

LORAIN COUNTY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Lorain County Port Authority (the Authority) was created by the Lorain County Board of Commissioners in 2001 to enhance economic development in Lorain County. The Authority is created in accordance with Section 4582.22 of the Ohio Revised Code.

The Authority is governed by a five-member Board of Directors (the Board) appointed by the Lorain County Board of Commissioners. Each member shall serve for a term of four years, except when a person is appointed to fill a vacancy, which is to be appointed to serve only the unexpired term. Members of the Board are eligible for re-appointment. The Board controls the employment of the Executive Director who is responsible for day-to-day operations.

The Authority's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "The Reporting Entity". The financial statements include all divisions and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Authority itself is included in the financial reporting entity.

As of December 31, 2008, the Authority has a liability to the County in the amount of \$171,116 for past operating advances. Under GASB Statement No. 14, this is considered to be a financial burden on the County; also the County can impose its will on the Authority through the appointment of the members of the Board of Directors. Therefore, the Authority is a component unit of the County whose financial statements are discretely presented in the County's financial statements.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single business-type activity. The Authority applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB Statements and interpretations issued after November 30, 1989.

LORAIN COUNTY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

Operating revenues and expenses generally result from providing services in connection with principal ongoing operations of the Authority. Operating revenues consist of application fees and administrative fees. Operating expenses include professional services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Budgetary Process

Ohio Revised Code Section 4582.39 requires the Authority to prepare a budget annually. This budget includes estimated receipts and appropriations and is prepared on the cash basis of accounting.

D. Cash and Cash Equivalents and Investments

The Ohio Revised Code prescribes allowable deposits and investments. For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair value, which is based on quoted market prices.

E. Estimates

The preparation of 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 expected.

2. **CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The provisions of the Ohio Revised Code govern the investments and deposits of Authority monies. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificate of deposit, savings accounts, money market accounts, the State Treasurer's Asset Reserve (STAR Ohio) investment pool and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days.

Public depositories must give security for all public funds on deposit. These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Deposits - At December 31, 2008, bank balance of the Authority's deposits was \$22,488. Federal Depository Insurance covered the entire bank balance.

LORAIN COUNTY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Investments

As of December 31, 2008, the Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less Than One Year</u>
First American Government Obligation Fund	\$2,506,300	\$2,506,300

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. According to the Authority’s policy, investments made by the Treasurer must mature within five years from the date of purchase with an average weighted maturity not to exceed two years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments had the following ratings by Standard & Poors.

First American Government Obligation Fund	AAAm
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Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk: Concentration of credit risk is the possibility of loss attributed to the magnitude of the Authority’s investment in a single issuer. One hundred percent of the Authority’s investments are in First American Government Obligation Fund. The Authority’s policy places no limit on the amount that may be invested in any one issuer.

3. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injury and natural disasters. Through Lorain County, the Authority is covered under the County Risk Sharing Authority, Inc. (CORSA). CORSA is a risk sharing pool made up of thirty-nine counties in Ohio and was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group of primary and excess insurance/self-insurance and risk management programs. The Authority has not had any claims that exceeded insurance coverage.

A surety bond of \$25,000 through Ohio Casualty Insurance Group covers the Board Secretary.

LORAIN COUNTY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

4. BOND FUND PROGRAM

The Authority has established a Bond Fund Program to provide long-term, fixed interest rate financing for qualified industrial, commercial and public projects. The primary purpose of the Bond Fund Program is to further economic development efforts and investment in Lorain County through the retention and creation of quality, private sector jobs.

The State of Ohio Department of Development (ODOD) awarded the Authority a grant of \$1,000,000, received in April 2003, which was deposited into the Bond Fund Program Reserve account. The conditional grant from ODOD is for 20 years, with the interest earned on the fund remitted back to ODOD through December 2012. Beginning 2013 and continuing through December 2023, 50 percent of the interest earned is required to be remitted back to ODOD. In December 2001, the Authority received a \$1,500,000 grant from Lorain County for the Bond Fund Program, which was also deposited into the Bond Fund Program Reserve account.

Under the Program, debt service requirements on each bond issue are to be secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financial facilities. In addition, all borrowers are required to provide a letter of credit as additional security for the related bonds. Amounts in the Bond Fund Program Reserve may be used for debt service in the event the borrower is unable to make the required payments under the lease.

The amounts held in the Authority's Bond Fund Program Reserves were \$2,506,300 at December 31, 2008 and are reflected in the Statement of Net Assets.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, was as follows:

	Balance 01/01/08	Additions	Deletions	Balance 12/31/08
Capital Assets, Being Depreciated:				
Buildings	0	1,500,000	0	1,500,000

The building was donated on December 30, 2008. Depreciation will be calculated beginning January 1, 2009.

6. RELATED PARTY ACTIVITY

The Authority utilizes certain Lorain County employees without reimbursement and the current Acting Director of the Authority is also a member of the Board.

LORAIN COUNTY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

7. Letter of Credit

On June 27, 2008, the Authority entered into an agreement to increase their Letter of Credit with Lorain National Bank from three million dollars to eight million dollars. The purpose of the Letter of Credit is to supplement the reserves available in the Program Reserve Fund and enable the Authority to issue additional series of bonds under the indenture to finance costs of Projects and promote the creation and preservation of jobs and employment opportunities within the County. As of December 31, 2008, the Authority has not used the Letter of Credit.

8. Conduit Debt

The Authority has issued revenue bonds and certificates of participation to provide financial assistance to governmental and non-profit entities for the acquisition and construction of facilities deemed to be in the public interest. The Authority is not obligated in any manner for repayment of the bonds or certificates of participation. Accordingly, a liability is not reported in the accompanying financial statements.

As of December 31, 2008 there were revenue bonds outstanding with an original issue amount of \$12,000,000, all of which was outstanding as of December 31, 2008 and certificates of participation outstanding with an original issue amount of \$28,835,000 of which \$26,210,000 remained outstanding at December 31, 2008.

9. Change in Accounting Principles

The GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, which provide guidance on how to calculate and report costs and obligations associated with pollution cleanup efforts. The implementation of this statement has made no impact on the Lorain County Port Authority's financial reporting or results of financial position for 2008.

The GASB issued Statement No. 50, Pension Disclosures an amendment of GASB Statements No. 25 & No. 27, which more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The implementation of this statement has made no impact on the Lorain County Port Authority's financial reporting or results of financial position for 2008.

**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**

To the Board of Directors
Lorain County Port Authority
226 Middle Avenue
Elyria, Ohio 44035

We have audited the financial statements of the business-type activities of the Lorain County Port Authority, Lorain County, Ohio (the Authority), a component unit of Lorain County, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 16, 2009. 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

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* (continued)

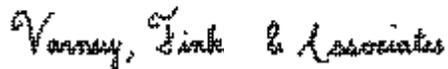
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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*.

We noted certain matters that we reported to management of the Authority, in a separate letter dated June 16, 2009.

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



VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

June 16, 2009



Mary Taylor, CPA
Auditor of State

LORAIN COUNTY PORT AUTHORITY

LORAIN 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
AUGUST 25, 2009**