



**Auditor of State
Betty Montgomery**

LORAIN PORT AUTHORITY
LORAIN COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Lorain Port Authority
Lorain County
422 Broadway Avenue
Lorain, Ohio 44052

To the Board of Directors:

We have audited the accompanying financial statements of the Lorain Port Authority, Lorain County, Ohio, (the Port Authority) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the Port 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.

As described in Note 1, the Port Authority prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the combined fund cash balances of the Lorain Port Authority, Lorain County, Ohio, as of December 31, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2003 on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Finance/Audit Committee, management, the Board of Directors, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 13, 2003

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund
Cash Balances - All Governmental Fund Types
For the Year Ended December 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$517,684	\$0	\$0	\$517,684
Intergovernmental	87,350	27,406	6,790,203	6,904,959
Leases and Rentals	91,920	0	194,602	286,522
Interest	18,146	0	8,390	26,536
All Other Income	46,028	0	328,720	374,748
Total Cash Receipts	761,128	27,406	7,321,915	8,110,449
Cash Disbursements:				
Current:				
Salaries and Benefits	244,464	25,808	0	270,272
Supplies	8,011	3,975	0	11,986
Travel, Education, Dues, and Publications	5,798	483	0	6,281
Promotion and Development	50,952	0	0	50,952
Rent and Utilities	48,709	0	0	48,709
Repairs and Maintenance	17,890	1,569	0	19,459
Insurance	50,543	3,440	0	53,983
Professional Services	34,151	0	0	34,151
Property Management	57,815	0	0	57,815
ODNR Lease	13,807	0	0	13,807
Loan Repayments, City and State	0	0	148,433	148,433
Miscellaneous	61,518	1,350	0	62,868
Debt Service:				
Redemption of Principal	115,000	0	0	115,000
Interest	18,500	0	0	18,500
Capital Outlay	15,907	496	7,134,528	7,150,931
Capital Improvements	57,153	0	0	57,153
Total Cash Disbursements	800,218	37,121	7,282,961	8,120,300
Total Receipts Over/(Under) Disbursements	(39,090)	(9,715)	38,954	(9,851)
Other Financing Receipts and (Disbursements):				
Transfers-In	0	5,212	0	5,212
Transfers-Out	(5,212)	0	0	(5,212)
Total Other Financing Receipts and (Disbursements)	(5,212)	5,212	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(44,302)	(4,503)	38,954	(9,851)
Fund Cash Balances, January 1, 2002	486,640	6,838	719,262	1,212,740
Fund Cash Balances, December 31, 2002	\$442,338	\$2,335	\$758,216	\$1,202,889

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

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**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Lorain Port Authority, Lorain County, Ohio, (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 is directed by an appointed nine-member Board. The Port Authority provides water safety and recreational programs, promotes economic development and sound waterfront management.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Certificates of deposit and repurchase agreements are valued at cost.

D. Fund Accounting

The Port Authority uses fund accounting to segregate cash and investments that are restricted as to use. The Port Authority classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

This fund is used to account for proceeds from specific sources (other than from capital projects) that are restricted to expenditure for specific purposes. The Port Authority had the following significant Special Revenue Fund:

Marine Patrol Fund – This fund is used to account for the activity related to the Port Authority's marine patrol program.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Port Authority had the following significant Capital Project Funds:

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds (Continued)

Black River Intermodal Fund – This fund is receives federal and local intergovernmental receipts used to account for the activity related to the various construction activities within the Black River Intermodal project.

Advanced Automotive Systems Fund - This fund is used to account for the activity related to the various construction activities for Advanced Automotive Systems facilities.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. The Port Authority Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Port Authority did not encumber all commitments required by Ohio law.

A summary of 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Compensatory Time

Employees are entitled to cash payments for unused vacation and compensatory time (hourly employees only) upon leaving employment. Unpaid vacation and compensatory time are not reflected as liabilities under the cash basis of accounting used by the Port Authority.

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Port Authority maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

Demand deposits	\$43,824
Certificates of deposit	104,606
Total deposits	148,430
Repurchase Agreements	1,054,259
Cash on hand	200
Total deposits and investments	\$1,202,889

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

Investments: Repurchase agreements are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Port Authority's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2002 was as follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$837,473	\$761,128	(\$76,345)
Special Revenue	36,542	32,618	(3,924)
Capital Projects	9,481,971	7,321,915	(2,160,056)
Total	\$10,355,986	\$8,115,661	(\$2,240,325)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$894,781	\$805,430	\$89,351
Special Revenue	39,389	37,121	\$2,268
Capital Projects	9,424,643	7,282,961	\$2,141,682
Total	\$10,358,813	\$8,125,512	\$2,233,301

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Port Authority Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental cash receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. PROPERTY TAX (Continued)

Public utilities are also taxed on personal and real property located within the Port Authority's jurisdiction.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

Lorain County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Port Authority.

5. CONDUIT DEBT

To provide for the construction of various port improvements and facilities in and around its jurisdiction, the Port Authority has issued two series of Port Development Refunding Revenue Bonds and two series of Industrial Development Revenue Bonds. These bonds are limited obligations of the Port Authority, payable solely from and secured by pledges of concession receipts, lease agreements, and revenues and other moneys assigned by the bond indentures. The bonds do not constitute a debt or pledge of the faith and credit of the Port Authority. At December 31, 2002, the revenue bonds outstanding were \$15,270,000.

The Port Authority has issued industrial development revenue notes in the aggregate outstanding principal amount of \$3,514,719 at December 31, 2002 for facilities used by Advanced Automotive Systems, Inc., a private corporation. The Port Authority is not obligated in any way to pay debt charges on these notes from any of its funds, and therefore the debt activity has been excluded from the Port Authority's debt schedule. There has not been and there is not any condition of default under these notes or the related financing documents.

6. TAX ANTICIPATION NOTES

On February 1, 2001, the Port Authority issued tax anticipation notes in the aggregate of \$500,000 at 4.625% interest. At December 31, 2002 the Port Authority had \$285,000 in outstanding notes. Debt service to maturity is as follows:

<u>Fiscal year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$130,000	\$13,181	\$143,181
2004	<u>155,000</u>	<u>7,169</u>	<u>162,169</u>
Total	<u>\$285,000</u>	<u>\$20,350</u>	<u>\$305,350</u>

7. RETIREMENT SYSTEM

The Port Authority's full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002, members of OPERS contributed 8.5% of their gross salaries. The Port Authority contributed an amount equal to 13.55% of participants' gross salaries. The Port Authority has paid all contributions required through December 31, 2002.

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

8. RISK MANAGEMENT

The Port Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Public officials and employees liability;
- Faithful performance bonds.

The Port Authority provides health insurance to full-time employees through a private carrier.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the State of Ohio. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor Pass-Through Grantor <u>Program Title</u>	Pass-Through Entity <u>Number</u>	Federal CFDA <u>Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Pass through Ohio Department of Transportation:</i>			
Highway Planning and Construction Cluster: Highway Planning and Construction Grant	PID No. 20339	20.205	<u>\$4,849,973</u>
Total U.S. Department of Transportation			<u>4,849,973</u>
Total Federal Award Expenditures			<u>\$4,849,973</u>

The accompanying notes are an integral part of this schedule.

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Expenditures (the Schedule) summarizes activity of the Port Authority's federal award program. The schedule has been prepared on the cash basis of accounting.

CFDA – Catalog of Federal Domestic Assistance



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lorain Port Authority
Lorain County
422 Broadway Avenue
Lorain, Ohio 44052

To the Board of Directors:

We have audited the financial statements of the Lorain Port Authority, Lorain County, Ohio, (the Port Authority) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 13, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Port Authority in a separate letter dated June 13, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the Port Authority in a separate letter dated June 13, 2003.

Lorain Port Authority
Lorain County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the Finance/Audit Committee, management, the Board of Directors, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 13, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Lorain Port Authority
Lorain County
422 Broadway Avenue
Lorain, Ohio 44052

To the Board of Directors:

Compliance

We have audited the compliance of the Lorain Port Authority, Lorain County, Ohio, (the Port Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The Port Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Port Authority's management. Our responsibility is to express an opinion on the Port Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Port Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Port Authority's compliance with those requirements.

In our opinion, the Port Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of the Port Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Port Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the Port Authority in a separate letter dated June 13, 2003.

This report is intended for the information and use of the Finance/Audit Committee, management, the Board of Directors, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 13, 2003

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction Cluster: Highway Planning and Construction Grant -CFDA 20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



**Auditor of State
Betty Montgomery**

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LORAIN 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
JULY 15, 2003**