

**LORAIN COUNTY
PORT AUTHORITY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009



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, 2009 through December 31, 2009. 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 27, 2010

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**LORAIN COUNTY PORT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2009**

TABLE OF CONTENTS

Independent Accountant’s Report	1
Management’s Discussion and Analysis	3
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets.....	8
Statement of Cash Flows.....	9
Notes to the Financial Statements.....	11
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17

INDEPENDENT ACCOUNTANTS' REPORT

Lorain County Port Authority
226 Middle Avenue
Elyria, Ohio 44035

To the Board of Directors:

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, 2009, 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, 2009, 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 May 25, 2010, 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.

Lorain County Port Authority
Lorain County
Page 2

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

May 25, 2010

**LORAIN COUNTY PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(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, 2009. 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, 2009 and December 31, 2008:

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

	2009	2008
ASSETS:		
Cash and Cash Equivalents	\$199,854	\$22,488
Accounts Receivables	600	0
Intergovernmental Receivables	0	44,250
Restricted Assets	2,505,311	2,506,300
Capital Assets, net of depreciation	1,701,093	1,500,000
Total Assets	4,406,858	4,073,038
LIABILITIES:		
Accounts Payable	100	19,682
Retainage Payable	11,152	0
Bond Issuance Costs Payable	60,000	0
Loan Payable - County	301,116	171,116
Intergovernmental Payable - County	30,000	0
Intergovernmental Payable - State	298	298
Total Liabilities	402,666	191,096
NET ASSETS:		
Invested in Capital Assets, Net	1,701,093	1,500,000
Restricted - Bond fund Program Reserves	2,505,311	2,506,300
Restricted - Retainage Payable	11,152	0
Unrestricted (Deficit)	(213,364)	(124,358)
Total Net Assets	\$4,004,192	\$3,881,942

**LORAIN COUNTY PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

2009 was the eighth 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.

"Loan Payable - County" represents the cumulative operating costs incurred by the Authority that have been paid by Lorain County.

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**

	2009	2008
Operating Revenues	\$166,266	\$118,935
Operating Expenses	(191,029)	(146,401)
Operating (Loss)	(24,763)	(27,466)
Non-Operating Revenues	55,013	24,895
Income (Loss) Before Capital Contributions	30,250	(2,571)
Capital Contributions	92,000	1,500,000
Change in Net Assets	122,250	1,497,429
Net Assets, Beginning of Year	3,881,942	2,384,513
Net Assets, End of Year	\$4,004,192	\$3,881,942

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

- Operating Revenues increased approximately \$47,300 from 2008 due mainly to rental income for the buildings acquired.
- Operating Expenses increased approximately \$44,600 from 2008. The majority of the increase was due architect fees paid in renovating the newly acquired buildings.

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. Therefore the Lorain County Port Authority has taken the Port Authorities direction into property ownership and management.

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 including both improved and unimproved properties.

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) to be processed by the County Port Authority beginning mid year 2008. Prior to this shift in policy by the Board of Commissioners the Lorain County Industrial and Economic Industrial Development Corporation (CIC) has issued IRB debt. All fees and interest payments are made and retained by the County Port Authority generated by IRB's. We continue to receive applications for Port Authority lending, with five prospective borrowers at this time.

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 a special meeting on April 21, 2008.

**LORAIN COUNTY PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

CAPITAL ASSETS

The Authority's investment in capital assets as of December 31, 2009, amounts to \$1,701,093 (net of accumulated depreciation). This investment in capital assets consists of construction in progress and two buildings. The total increase in the City's investment in capital assets for the current year was due to construction in progress and the donation of a building.

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

	2009	2008
Construction in Progress	\$139,400	\$0
Buildings	1,561,693	1,500,000
Total Capital Assets, Net of Depreciation	\$1,701,093	\$1,500,000

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.

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Lorain County Port Authority
Statement of Net Assets
As of December 31, 2009

Assets

Current Assets:

Cash and Cash Equivalents	\$199,854
Accounts Receivable	600

Noncurrent Assets:

Restricted Bond Fund Program Reserves	2,505,311
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Capital Assets:

Non-Depreciable Capital Assets	139,400
Depreciable Capital Assets, Net	1,561,693

Total Assets	<u>4,406,858</u>
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Liabilities

Current Liabilities

Accounts Payable	100
Retainage Payable	11,152
Bond Issuance Costs Payable	60,000
Loan Payable - County	301,116
Intergovernmental Payable - County	30,000
Intergovernmental Payable - State	298

Total Liabilities	<u>402,666</u>
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Net Assets

Invested in Capital Assets, Net	1,701,093
Restricted - Bond Fund Program Reserves	2,505,311
Restricted - Retainage Payable	11,152
Unrestricted (Deficit)	(213,364)

Total Net Assets	<u><u>\$4,004,192</u></u>
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See accompanying notes to the basic financial statements

Lorain County Port Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2009

Operating Revenue	
Application Fees	\$26,000
Charges for Services	21,984
Rent	102,600
CVB-Other Monthly Fees	15,682
	<hr/>
Total Operating Revenue	166,266
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Operating Expenses	
Advertising	3,087
Bank Fees	52,749
Condominium	47,313
Dues	100
Insurance	125
Depreciation	30,307
Miscellaneous	22
Postage	179
Printing	150
Professional Services	50,997
Trustee Fees	6,000
	<hr/>
Total Expenses	191,029
	<hr/>
Operating (Loss)	(24,763)
Non-Operating Revenues (Expenses)	
Subsidy-County	25,000
Gain on Sale of Asset	30,000
Interest Income	4,312
Interest Payment to State/County	(4,299)
	<hr/>
Total Non-Operating Revenues (Expenses)	55,013
	<hr/>
Income Before Capital Contributions	30,250
Capital Contributions	92,000
	<hr/>
Change in Net Assets	122,250
Total Net Assets, Beginning of Year	3,881,942
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Total Net Assets, End of Year	<u>\$4,004,192</u>

See accompanying notes to the basic financial statements

Lorain County Port Authority
Statement of Cash Flows
For the Year Ended December 31, 2009

Cash Flow From Operating Activity

Cash Received from Customers	\$209,916
Cash Payments to Suppliers for Goods and Services	(109,152)
Net Cash Provided by Operating Activities	<u>100,764</u>

Cash Flow From Noncapital Financing Activities

Subsidy Received	25,000
Loan Proceeds from County	130,000
Sale of Asset	60,000
Net Cash Provided by Noncapital Financing Activities	<u>215,000</u>

Cash Flow From Capital Financing Activities

Acquisition of Capital Assets	(139,400)
Net Cash (Used for) Capital Financing Activities	<u>(139,400)</u>

Cash Flow From Investing Activities

Interest Received	4,312
Interest Paid	(4,299)
Net Cash Provided by Investing Activities	<u>13</u>

Net Increase in Cash and Cash Equivalents 176,377

Cash and Cash Equivalents, Beginning of Year
(Includes Restricted Bond Fund Program Reserves) 2,528,788

Cash and Cash Equivalents, End of Year
(Includes Restricted Bond Fund Program Reserves) \$2,705,165

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

Operating (Loss)	(\$24,763)
Depreciation	30,307
Accounts Receivable	(600)
Intergovernmental Receivable	44,250
Accounts Payable	(19,582)
Retainage Payable	11,152
Bond Issuance Costs Payable	60,000
Net Cash Provided by Operating Activities	<u><u>\$100,764</u></u>

Non-Cash Capital Activities:

A building with a \$92,000 FMV was donated to Lorain County Port Authority in October 2009.

See accompanying notes to the basic financial statements

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**LORAIN COUNTY PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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, 2009, the Authority has a liability to the County in the amount of \$301,116 for past and current operating loans. 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, 2009

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, 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. Capital Assets

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. Buildings are depreciated using the straight-line method for a period of 50 years.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Restricted resources are applied first when an expense is incurred for both restricted and unrestricted assets.

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Port Authority, these revenues are primarily rental income, charges for services, and application fees. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Port Authority. Revenues and expenses not meeting those definitions are reported as non-operating.

H. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets or from outside contributions of resources restricted to capital acquisition and construction. The Port Authority had capital contributions of \$92,000 during 2009.

**LORAIN COUNTY PORT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

I. 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, 2009, bank balance of the Authority’s deposits was \$199,854. Federal Depository Insurance covered the entire bank balance.

Investments

As of December 31, 2009, 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	\$2,505,311	\$2,505,311

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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**LORAIN COUNTY PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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.

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 \$2,505,311 at December 31, 2009 and are reflected in the Statement of Net Assets.

**LORAIN COUNTY PORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	<u>Balance 01/01/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/09</u>
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$0	\$139,400	\$0	\$139,400
Capital Assets, Being Depreciated:				
Buildings	1,500,000	92,000	0	1,592,000
Less Accumulated Depreciation:				
Buildings	<u>0</u>	<u>(30,307)</u>	<u>0</u>	<u>(30,307)</u>
Total Capital Assets, Being Depreciated, net	<u>1,500,000</u>	<u>61,693</u>	<u>0</u>	<u>1,561,693</u>
Capital Assets, net	<u><u>\$1,500,000</u></u>	<u><u>\$201,093</u></u>	<u><u>\$0</u></u>	<u><u>\$1,701,093</u></u>

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.

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, 2009, 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, 2009 there were revenue bonds outstanding with an original issue amount of \$12,000,000, all of which was outstanding as of December 31, 2009 and certificates of participation outstanding with an original issue amount of \$28,835,000 of which \$26,210,000 remained outstanding at December 31, 2009.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Lorain County Port Authority
226 Middle Avenue
Elyria, Ohio 44035

To the Board of Directors:

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, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 25, 2010. 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 opinion 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 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 more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

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

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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters 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 May 25, 2010.

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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

May 25, 2010



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
SEPTEMBER 9, 2010**