



Mary Taylor, CPA
Auditor of State

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements	7
Schedule of Federal Awards Expenditures.....	13
Notes to the Schedule of Federal Awards Expenditures	14
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	17
Schedule of Findings.....	19

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

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

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 27, 2010

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lorain Port Authority
Lorain County
611 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 years ended December 31, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Port Authority processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Port Authority because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Port Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Port Authority's larger (i.e. major) funds separately. While the Port Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Port Authority to reformat their statements. The Port Authority has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Port Authority as of December 31, 2009 and December 31, 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Lorain Port Authority, Lorain County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Port Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2010, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the financial statements that collectively comprise the Port Authority's financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

April 27, 2010

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND CERTAIN FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts:					
Property and Local Taxes	\$749,682	\$0	\$0	\$0	\$749,682
Intergovernmental	242,112	1,396,424	104,393	0	1,742,929
Leases and Rentals	88,637	0	0	232,387	321,024
Permits and Fees	71,780	0	0	0	71,780
Earnings on Investments	2,239	0	0	0	2,239
Miscellaneous	18,928	289,494	0	0	308,422
Total Cash Receipts	1,173,378	1,685,918	104,393	232,387	3,196,076
Cash Disbursements:					
Current:					
Salaries and Benefits	216,560	21,092	0	0	237,652
Supplies	12,213	0	0	0	12,213
Travel, Education, Dues, and Publications	6,758	0	0	0	6,758
Promotion and Development	109,972	0	0	0	109,972
Rent and Utilities	44,562	0	0	0	44,562
Repairs and Maintenance	274	0	0	0	274
Insurance	132,346	0	0	0	132,346
Professional Services	23,080	0	0	0	23,080
Property Management	164,629	0	0	0	164,629
ODNR Lease	40,134	0	0	0	40,134
Loan Repayment, City and State	18,202	0	0	232,387	250,589
Miscellaneous	119,581	16,962	0	0	136,543
Capital Outlay	8,975	1,659,306	104,393	0	1,772,674
Capital Improvements	131,202	0	0	0	131,202
Total Cash Disbursements	1,028,488	1,697,360	104,393	232,387	3,062,628
Total Receipts Over/(Under) Disbursements	144,890	(11,442)	0	0	133,448
Other Financing Receipts / (Disbursements):					
Transfers-In	0	11,667	0	0	11,667
Transfers-Out	(11,667)	0	0	0	(11,667)
Advances-In	10,000	10,000	0	0	20,000
Advances-Out	(10,000)	(10,000)	0	0	(20,000)
Total Other Financing Receipts / (Disbursements)	(11,667)	11,667	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	133,223	225	0	0	133,448
Fund Cash Balances, January 1, 2009	457,995	6,882	0	0	464,877
Fund Cash Balances, December 31, 2009	\$591,218	\$7,107	\$0	\$0	\$598,325
Reserve for Encumbrances, December 31, 2009	\$135,027	\$0	\$206,560	\$0	\$341,587

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

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND CERTAIN FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Agency	
Cash Receipts:				
Property and Local Taxes	\$798,969	\$0	\$0	\$798,969
Intergovernmental	238,027	24,492	0	262,519
Leases and Rentals	116,614	0	232,387	349,001
Permits and Fees	40,688	0	0	40,688
Earnings on Investments	6,552	0	0	6,552
Miscellaneous	34,714	0	0	34,714
Total Cash Receipts	1,235,564	24,492	232,387	1,492,443
Cash Disbursements:				
Current:				
Salaries and Benefits	214,385	21,699	0	236,084
Supplies	12,403	0	0	12,403
Travel, Education, Dues, and Publications	6,149	0	0	6,149
Promotion and Development	159,534	0	0	159,534
Rent and Utilities	46,114	0	0	46,114
Insurance	119,971	0	0	119,971
Professional Services	19,336	0	0	19,336
Property Management	159,399	0	0	159,399
ODNR Lease	16,187	0	0	16,187
Loan Repayment, City and State	18,202	0	232,387	250,589
Miscellaneous	123,104	13,606	0	136,710
Capital Outlay	3,082	251	0	3,333
Capital Improvements	329,769	0	0	329,769
Total Cash Disbursements	1,227,635	35,556	232,387	1,495,578
Total Receipts Over/(Under) Disbursements	7,929	(11,064)	0	(3,135)
Other Financing Receipts / (Disbursements):				
Transfers-In	0	11,667	0	11,667
Transfers-Out	(11,667)	0	0	(11,667)
Total Other Financing Receipts / (Disbursements)	(11,667)	11,667	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,738)	603	0	(3,135)
Fund Cash Balances, January 1, 2008	461,733	6,279	0	468,012
Fund Cash Balances, December 31, 2008	\$457,995	\$6,882	\$0	\$464,877
Reserve for Encumbrances, December 31, 2008	\$91,528	\$0	\$0	\$91,528

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

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FRO THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Lorain Port Authority (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 a nine-member Board, appointed for staggered terms by the Mayor of the City of Lorain. 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Port Authorities recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Port Authority's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Port Authority had the following significant Special Revenue Funds:

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Ferry Boat Fund - This fund receives Federal money for the purchase of a ferry boat.

Marine Patrol Fund – This fund is used to account for the activities related to the Port Authority’s Marine Patrol Program.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Port Authority had the following significant Capital Project Fund:

Colorado Industrial Park Fund – This fund is used to account for the activity related to various construction activities for the Colorado Industrial Park.

4. Fiduciary Funds

Fiduciary funds include trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Port Authority’s own programs. The Port Authority has no trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Port Authority disburses these funds as directed by the individual, organization or other government. The Port Authority’s agency fund accounts for the activity related to various construction activities for Advanced Automotive Systems facilities.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Port Authority records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and compensatory time (hourly employees only). The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

	2009	2008
Demand deposits	\$598,326	\$414,878
Total deposits	598,326	414,878
Repurchase agreement	0	50,000
Total investments	0	50,000
Total deposits and investments	\$598,326	\$464,878

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

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and December 31, 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,228,316	\$1,173,378	(\$54,938)
Special Revenue	1,740,573	1,697,585	(42,988)
Capital Projects	1,658,409	104,393	(1,554,016)
Agency	232,387	232,387	0
Total	\$4,859,685	\$3,207,743	(\$1,651,942)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,508,332	\$1,175,182	\$333,150
Special Revenue	1,740,573	1,697,360	43,213
Capital Projects	3,383,618	310,953	3,072,665
Agency	232,387	232,387	0
Total	\$6,864,910	\$3,415,882	\$3,449,028

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,330,898	\$1,235,564	(\$95,334)
Special Revenue	36,159	36,159	0
Fiduciary	232,387	232,387	0
Total	\$1,599,444	\$1,504,110	(\$95,334)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,598,574	\$1,330,830	\$267,744
Special Revenue	36,495	35,556	939
Agency	232,387	232,387	0
Total	\$1,867,456	\$1,598,773	\$268,683

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Directors adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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 for 2008 and only against local and inter-exchange telephone companies for 2009, who must file a list of such property to the County by each April 30.

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

5. Conduit Debt

The Port Authority issued Industrial Development Revenue Bonds in 1996 in the aggregate outstanding principal amount of \$8,305,000 for the Brush Wellman Inc. project. Principal payments on the bonds are not due until 2016. In 2008, The Port Authority issued Economic Development Revenue Bonds in the amount of \$4,605,000 for the purpose of making a loan to assist Horizon Activities Center in financing the cost of Port Authority Facilities. Principal outstanding at December 31, 2009 is \$4,410,000. The Port Authority is not obligated in any way to pay debt related charges on the bonds from any of its funds; therefore, the charges have been excluded entirely from the Port Authority's debt presentation. There has not been and there is not currently any condition of default under the bonds of the related financing documents.

6. Loans

Loans outstanding at December 31, 2009 and December 31, 2008 were as follows:

	<u>Principal Outstanding</u>		<u>Interest Rates</u>
	<u>12/31/2009</u>	<u>12/31/2008</u>	
CDBG Section 108 Revolving Loans	\$568,522	\$623,961	4.25 to 8.5%
EDA Title IX Loans	541,986	603,941	3.0 to 5.75%
Business Development Revolving Loans	427,709	475,874	3.0 to 3.25%
Total	<u>\$1,538,217</u>	<u>\$1,703,776</u>	

The above loans relate to the Advanced Automotive Systems (AAS) project. The terms of the agreement with AAS requires rental payments equal to the principal and interest due on the loans. The loans will be repaid in monthly installments, including interest, over a period up to 20 years.

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Continued)**

6. Loans (Continued)

Amortization of the above loans, including interest, is scheduled as follows:

Year ending December 31:	Principal	Interest	Total
2010	\$175,000	\$56,387	\$231,387
2011	181,700	50,688	232,388
2012	188,671	43,717	232,388
2013	684,523	29,738	714,261
2014	72,247	11,707	83,954
2015-2017	236,076	15,786	251,862
Total	\$1,538,217	\$208,023	\$1,746,240

7. Retirement Systems

The Port Authority employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10%, of their gross salaries and the Port Authority contributed an amount equaling 14%, respectively of participants' gross salaries. The Port Authority has paid all contributions required through December 31, 2009.

9. Risk Management

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

- Comprehensive property and general liability;
- Vehicles;
- Public Officials and employee liability; and
- Faithful performance bonds.

The Port Authority provides health insurance to full-time employees through Lorain County.

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR	Federal	Pass-	Federal
<i>Pass Through Grantor</i>	CFDA	Through	Expenditures
<u>Program Title</u>	<u>Number</u>	<u>Number</u>	<u></u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction Cluster			
Highway Planning and Construction Grant	20.205	PID 80485	\$1,368,915
Highway Planning and Construction Grant	20.205	PID 86360	<u>104,393</u>
Total U.S. Department of Transportation – Highway Planning and Construction Cluster			<u>1,473,308</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$1,473,308</u></u>

The accompanying notes are an integral part of this schedule.

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Lorain Port Authority's (the Port Authority's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require the Port Authority to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Port Authority has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE C – AMERICA RECOVERY AND REINVESTMENT ACT (ARRA) FUNDS

The Port Authority received ARRA funds from the federal government for engineering fees for the diked disposal site project. Those funds are designated on the Schedule under pass-through number PID 86360.

CFDA – Catalog of Federal Domestic Assistance



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements of the Lorain Port Authority (the Port Authority) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 27, 2010 wherein we noted the Port Authority prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Port Authority uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Port Authority. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Port 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 Port 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.

Compliance and Other Matters

As part of reasonably assuring whether the Port 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 we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Port Authority's management in a separate letter dated April 27, 2010.

We intend this report solely for the information and use of the audit committee, management, and the Board of Directors, and federal awarding agencies and pass-through entities, and others within the Government. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 27, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors:

Compliance

We have audited the compliance of Lorain Port Authority (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 apply to its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Port Authority's major federal program. The Port Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Port Authority's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Lorain Port Authority complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The Port Authority's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Port Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

April 27, 2010

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse under GAAP, unqualified under the regulatory basis.
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control 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 weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control 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(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction Grants – 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 FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

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
MAY 20, 2010