



Dave Yost • Auditor of State

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

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Dave Yost • Auditor of State

Lorain Port Authority
Lorain County
611 Broadway
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.

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Dave Yost
Auditor of State

July 3, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lorain Port Authority
Lorain County
611 Broadway
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, 2011. 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(A) mandates 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 the 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2011 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Position as of December 31, 2011, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Lorain Port Authority. Lorain County, as of December 31, 2011, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Lorain Port Authority adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 July 3, 2012, 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 taken as a whole. The federal awards expenditure schedule provides additional information required by the 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 basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

July 3, 2012

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts					
Property Taxes	\$755,483	\$0	\$0		\$755,483
Intergovernmental	207,411	23,897	1,569,760		1,801,068
Leases and Rentals	138,293	0	0	232,387	370,680
Earnings on Investments	87	0	0		87
<i>Total Cash Receipts</i>	<u>1,101,274</u>	<u>23,897</u>	<u>1,569,760</u>	<u>232,387</u>	<u>2,927,318</u>
Cash Disbursements					
Current:					
Security of Persons and Property	4,115	34,972	0	0	39,087
Leisure Time Activities	46,799	0	0	0	46,799
Basic Utility Services	30,389	0	0	0	30,389
General Government	853,852	0	0	0	853,852
Loan Repayment, City and State	0	0	0	232,387	232,387
Capital Outlay	76,339	3,004	1,569,760	0	1,649,103
<i>Total Cash Disbursements</i>	<u>1,011,494</u>	<u>37,976</u>	<u>1,569,760</u>	<u>232,387</u>	<u>2,851,617</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>89,780</u>	<u>(14,079)</u>	<u>0</u>	<u>0</u>	<u>75,701</u>
Other Financing Receipts (Disbursements)					
Transfers In	4,420	11,667	0	0	16,087
Transfers Out	(11,667)	(4,420)	0	0	(16,087)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(7,247)</u>	<u>7,247</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	82,533	(6,832)	0	0	75,701
<i>Fund Cash Balances, January 1, 2011</i>	<u>880,375</u>	<u>7,385</u>	<u>0</u>	<u>0</u>	<u>887,760</u>
Fund Cash Balances, December 31, 2011	962,908	553	0	0	963,461
Assigned	65,376	553	0	0	65,929
Unassigned (Deficit)	897,532	0	0	0	897,532
<i>Fund Cash Balances, December 31, 2011</i>	<u>\$962,908</u>	<u>\$553</u>	<u>\$0</u>	<u>\$0</u>	<u>\$963,461</u>

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, 2011**

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 Fund

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
DECEMBER 31, 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

3. Capital Project Fund

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.

ARRA Grant Fund – This fund is used to account for the activity related to various construction activities for the Diked Disposal Project.

4. Fiduciary Fund

Fiduciary funds include private purpose 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.

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 the Port Authority to budget each fund annually (except certain agency funds).

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
DECEMBER 31, 2011
(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 2011 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 leave. The financial statements do not include a liability for unpaid leave.

H. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Authority must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Authority classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

H. Fund Balance (Continued)

3. Committed

The Board can *commit* amounts via formal action (resolution). The Authority must adhere to these commitments unless the Board amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or an Authority official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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:

	2011
Demand deposits	\$863,461
Total deposits	863,461
CDARS	100,000
Total investments	100,000
Total deposits and investments	\$963,461

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
DECEMBER 31, 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,151,765	\$1,105,694	(\$46,071)
Special Revenue	35,567	35,564	(3)
Capital Projects	2,201,687	1,569,760	(631,927)
Agency	232,387	232,387	0
Total	\$3,621,406	\$2,943,405	(\$678,001)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,264,781	\$1,088,537	\$176,244
Special Revenue	42,920	42,396	524
Capital Projects	2,201,687	1,569,760	631,927
Agency	232,387	232,387	0
Total	\$3,741,775	\$2,933,080	\$808,695

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 8.

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

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

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

5. Conduit Debt

The Port Authority has issued two series of Port Development Refunding Revenue Bonds and two series of Industrial Development Revenue Bonds in the aggregate outstanding principal amount of \$8,305,000 at December 31, 2011, for facilities used by private corporations. 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.

Year ending December 31:	Principal	Interest	Total
2012	\$205,000	\$69,073	\$274,073
2013	210,000	65,428	275,428
2014	210,000	61,732	271,732
2015	215,000	57,999	272,999
2016	220,000	54,179	274,179
2017-2021	1,155,000	211,178	1,366,178
2022-2026	1,260,000	104,984	1,364,984
2027-2028	535,000	10,245	545,245
Total	<u>\$4,010,000</u>	<u>\$634,818</u>	<u>\$4,644,818</u>

6. Loans

Loans outstanding at December 31, 2011 were as follows:

	<u>Principal Outstanding</u> <u>12/31/2011</u>	<u>Interest Rates</u>
CDBG Section 108 Revolving Loans	\$479,325	4.25 to 8.5%
EDA Title IX Loans	416,985	3.0 to 5.75%
Business Development Revolving Loans	329,011	3.0 to 3.25%
Total	<u>\$1,225,321</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.

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

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

6. Loans (Continued)

Year ending December 31:	Principal	Interest	Total
2012	\$186,783	\$45,604	\$232,387
2013	517,681	35,006	552,687
2014	91,965	22,825	114,790
2015	96,287	18,503	114,790
2016	100,815	13,975	114,790
2017-2020	231,790	16,769	248,559
Total	\$1,225,321	\$152,682	\$1,378,003

7. Retirement Systems

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>PERS – Local</i>	<i>2011</i>	<i>10%</i>	<i>14%</i>

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

The Ohio Revised Code also prescribes contribution rates. For 2011, OPERS members contributed 10% of their gross salaries and the Port Authority contributed an amount equaling 14% of participants' gross salaries. The Port Authority has paid all contributions required through December 31, 2011.

8. 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.

9. Contingent Liabilities

The Port Authority is involved in one dispute regarding the use of foreign made steel and iron on Port owned property, which utilized Federal funding. This amount in question is \$208,000. This case will be contested vigorously. The chances of an unfavorable outcome is highly unlikely and on the chance of an unfavorable outcome the chances are excellent that our engineer would have to cover the costs under an indemnity agreement.

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

10. Subsequent Events

On June 1, 2012 the Port Authority was awarded a USEPA Brownfields Assessment Grant in the amount of \$400,000. The grant will facilitate assessing sites that are potentially contaminated with hazardous and/or petroleum substances.

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass- Through Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Transportation</i>			
ARRA - Highway Planning and Construction Cluster			
ARRA - Highway Planning and Construction Grant	20.205	PID 86360	\$1,571,692
Total U.S. Department of Transportation -			
ARRA - Highway Planning and Construction Cluster			1,571,692
TOTAL FEDERAL AWARDS EXPENDITURES			\$1,571,692

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, 2011**

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



Dave Yost • 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, Lorain County, Ohio (the Port Authority) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 8, 2011, wherein we noted the Port Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and the Port Authority implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 intend this report solely for the information and use of the audit committee, management, and the Board of Directors. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

July 3, 2012



Dave Yost • 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
Lorain, Ohio 44052

To the Board of Directors:

Compliance

We have audited the compliance of the 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, 2011. 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 compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, the Lorain Port Authority complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

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.



Dave Yost
Auditor of State

July 3, 2012

**LORAIN PORT AUTHORITY
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	ARRA Highway Planning and Construction (Federal-Aid Highway Program – CFDA# 20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • 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
JULY 17, 2012