



Dave Yost • Auditor of State



**LORAIN PORT AUTHORITY  
LORAIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Lorain Port Authority  
Lorain County  
319 Black River Lane  
Lorain, Ohio 44052

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Lorain Port Authority, Lorain County, (the Authority) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Authority prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Lorain Port Authority, Lorain County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Matters***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award Expenditures (the Schedule) presents additional analysis as 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 financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this Schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 18, 2014

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**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, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property Taxes	\$640,857			\$640,857
Charges for Services	166,393			166,393
Intergovernmental	174,664	\$121,932	\$735,694	1,032,290
Earnings on Investments	88			88
Miscellaneous	11,967	45		12,012
<i>Total Cash Receipts</i>	<u>993,969</u>	<u>121,977</u>	<u>735,694</u>	<u>1,851,640</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	6,025	43,910		49,935
Leisure Time Activities	77,834			77,834
Basic Utility Services	31,584			31,584
General Government	878,925	89,933		968,858
Capital Outlay	197,081	1,029	968,986	1,167,096
<i>Total Cash Disbursements</i>	<u>1,191,449</u>	<u>134,872</u>	<u>968,986</u>	<u>2,295,307</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(197,480)</u>	<u>(12,895)</u>	<u>(233,292)</u>	<u>(443,667)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		13,019	233,292	246,311
Transfers Out	(246,311)			(246,311)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(246,311)</u>	<u>13,019</u>	<u>233,292</u>	
<i>Net Change in Fund Cash Balances</i>	<u>(443,791)</u>	<u>124</u>		<u>(443,667)</u>
<i>Fund Cash Balances, January 1</i>	<u>949,868</u>	<u>602</u>		<u>950,470</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		726		726
Unassigned	506,077			506,077
<i>Fund Cash Balances, December 31</i>	<u>\$506,077</u>	<u>\$726</u>		<u>\$506,803</u>

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

LORAIN PORT AUTHORITY  
LORAIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$1,177,619</u>
<b>Operating Cash Disbursements</b>	
Purchased and Contracted Services	<u>1,124,274</u>
<i>Net Change in Fund Cash Balances</i>	53,345
<i>Fund Cash Balances, January 1</i>	<u>                    </u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$53,345</u></u>

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

**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, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property Taxes	\$756,228			\$756,228
Charges for Services	156,828			156,828
Intergovernmental	207,119	\$32,000	\$94,603	333,722
Earnings on Investments	71			71
<i>Total Cash Receipts</i>	<u>1,120,246</u>	<u>32,000</u>	<u>94,603</u>	<u>1,246,849</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	5,763	40,899		46,662
Leisure Time Activities	76,467			76,467
Basic Utility Services	41,209			41,209
General Government	994,010			994,010
Capital Outlay	7,210	1,718	94,603	103,531
<i>Total Cash Disbursements</i>	<u>1,124,659</u>	<u>42,617</u>	<u>94,603</u>	<u>1,261,879</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(4,413)</u>	<u>(10,617)</u>		<u>(15,030)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		10,666		10,666
Transfers Out	(10,667)			(10,667)
Advances In	3,000	3,000		6,000
Advances Out	(3,000)	(3,000)		(6,000)
Other Financing Sources	2,040			2,040
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(8,627)</u>	<u>10,666</u>		<u>2,039</u>
<i>Net Change in Fund Cash Balances</i>	<u>(13,040)</u>	<u>49</u>		<u>(12,991)</u>
<i>Fund Cash Balances, January 1</i>	<u>962,908</u>	<u>553</u>		<u>963,461</u>
<b>Fund Cash Balances, December 31</b>				
Assigned	37,351			37,351
Unassigned (Deficit)	912,517	602		913,119
<i>Fund Cash Balances, December 31</i>	<u>\$949,868</u>	<u>\$602</u>		<u>\$950,470</u>

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

LORAIN PORT AUTHORITY  
LORAIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$232,287</u>
<b>Operating Cash Disbursements</b>	
Purchased and Contracted Services	<u>232,287</u>
<i>Net Change in Fund Cash Balances</i>	
<i>Fund Cash Balances, January 1</i>	<u>                    </u>
<i>Fund Cash Balances, December 31</i>	<u>                    </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  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Entity**

The Lorain Port Authority (the 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 Authority is directed by a nine-member Board, appointed for staggered four year terms by the Mayor and approved by City Council of the City of Lorain. The Authority provides water safety and recreational programs, promotes economic development and sound waterfront management.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Authority recognizes receipts when received in cash rather than when earned, and recognize 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 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.

The Authority values CDARS at cost.

**D. Fund Accounting**

The Authority uses fund accounting to segregate cash and investments that are restricted as to use. The 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 are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Authority had the following significant Special Revenue Funds:

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

**LORAIN PORT AUTHORITY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

USEPA Brownfield Assessment Grant for Hazardous Waste - This fund is utilized for assessed property that may have hazardous waste.

USEPA Brownfield Assessment Grant Petroleum - This fund is utilized for assessed property that may have petroleum.

Fireworks Fund - This fund is made up of donations for the fireworks display on the 4<sup>th</sup> of July.

**3. Capital Project Funds**

These funds are used to account for proceeds from specific sources for capital projects that are restricted to expenditure for specific purposes. The Authority had the following significant Capital Project Funds:

Ferry Terminal Building – The Authority was awarded a \$475,000 grant through the Ferry Boat Discretionary Fund Program to construct a Ferry Terminal Building on Black River Landing. During 2013, this building was constructed at a cost of \$900,000. The building contains ticketing space, restrooms and administrative offices.

American Recovery and Reinvestment Act – ARRA Lorain Diked Disposal Site Project. This was a stimulus fund for the rehabilitation of an existing pier, extension of public parking and entrance drive along with related earthmoving activities, landscaping and related public access features (benches and trash receptacles), and the design of an observation platform and walking trail.

**4. Agency Funds**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Authority disburses these funds as directed by the individual, organization or other government. The 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 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 Authority Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

**LORAIN PORT AUTHORITY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. 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.

**3. Committed**

Board of Directors can *commit* amounts via formal action (resolution). The Authority must adhere to these commitments unless the Board of Directors amends 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.



**LORAIN PORT AUTHORITY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 Board of Directors 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.

**H. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	2013	2012
Demand deposits	\$560,148	\$850,470
CDARS		100,000
Total deposits	\$560,148	\$950,470

**Deposits:** Deposits are either 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, 2013 AND 2012  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 is as follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,119,193	\$993,969	(\$125,224)
Special Revenue	134,997	134,996	(1)
Capital Projects	1,510,024	968,986	(541,038)
Agency	1,177,619	1,177,619	0
Total	\$3,941,833	\$3,275,570	(\$666,263)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,911,212	\$1,437,760	\$473,452
Special Revenue	134,994	134,872	122
Capital Projects	1,510,024	968,986	541,038
Agency	1,177,619	1,124,274	53,345
Total	\$4,733,849	\$3,665,892	\$1,067,957

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,165,853	\$1,125,286	(\$40,567)
Special Revenue	45,867	45,666	(201)
Capital Projects	1,531,927	94,603	(1,437,324)
Agency	232,388	232,387	(1)
Total	\$2,976,035	\$1,497,942	(\$1,478,093)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,713,775	\$1,138,325	\$575,450
Special Revenue	46,417	45,617	800
Capital Projects	1,531,927	94,603	1,437,324
Agency	232,388	232,387	1
Total	\$3,524,507	\$1,510,932	\$2,013,575

**LORAIN PORT AUTHORITY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Directors adopts the 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 Authority. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. CONDUIT DEBT**

From time to time, the Authority has issued Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds.

Accordingly, the bond activity is not reported in the accompanying financial statements.

As of December 31, 2013, there were four series of Revenue Bonds outstanding, with an aggregate principal amount payable of \$28,075,000.

**6. RETIREMENT SYSTEMS**

The 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 plans benefits, which include postretirement healthcare and survivors and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10 percent of their gross salaries. The Authority contributed an amount equaling 14 percent of participants' gross salaries. The Authority has paid all contributions required through December 31, 2013.

**7. RISK MANAGEMENT**

The Authority has obtained commercial insurance for the following risks:

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

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

**LORAIN PORT AUTHORITY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**LORAIN PORT AUTHORITY  
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed through the Ohio Department of Transportation:</i>			
ARRA - Highway Planning and Construction:			
Diked Disposal Site Project	PID 86360	20.205	\$ 294,521
U.S. Ferry Boat Discretionary Fund			
Ferry Boat Terminal	PID 87452	20.205	<u>441,173</u>
Total U.S. Department of Transportation			<u>735,694</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
<i>Direct Funding:</i>			
Brownfield Assessment Grants - BF00E01060			
Hazardous Substances - G5LRNY00		66.818	32,964
Petroleum - G5LROR00		66.818	<u>56,969</u>
Total U.S. Environmental Protection Agency			<u>89,933</u>
<b>Total Federal Awards Expenditures</b>			<u><u>\$825,627</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  
FISCAL YEAR ENDED DECEMBER 31, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - MATCHING REQUIREMENTS**

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

**NOTE C - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) FUNDS**

The Authority received ARRA funds from the federal government, passed through the Ohio Department of Transportation for a project that involves rehabilitation of an existing waterfront pier (east breakwater shorearm - sheet piling cellular design), the extension of public parking and entrance drives along with related earthmoving activities, landscaping and related public features (benches and trash receptacles), and the design of fishing access platform and walking trail. Those funds are designated on the Schedule under pass-through number PID 86360.

**NOTE D - U.S. ENVIRONMENTAL PROTECTIONS AGENCY FUNDS**

The Authority received two USEPA Brownfield Assessment Grants; one for Hazardous Substance and one for Petroleum. This project provides funding for the Authority to inventory, characterize, assess, and conduct cleanup planning and community involvement related activities for Brownfields sites in the Authority area. Funds will also be used for public outreach and community/public participation processes. Those funds are designated on the Schedule under Brownfield Assessment Grants BF00E01060.

**NOTE E - U.S. FERRY BOAT DISCRETIONARY FUNDS**

The Authority received a grant from the Federal Highways Administration, passed through the Ohio Department of Transportation for the construction of a building to house a ticketing facility, restrooms, provide an area for waiting, concessions, storage and office for the Authority's excursion boats. Those funds are designated on the Schedule under pass-through number PID 87452.

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# Dave Yost • Auditor of State

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

Lorain Port Authority  
Lorain County  
319 Black River Lane  
Lorain, Ohio 44052

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Lorain County Port Authority, Lorain County, Ohio (the Authority) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring 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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 18, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Lorain Port Authority  
Lorain County  
319 Black River Lane  
Lorain, Ohio 44052

To the Board of Directors:

### ***Report on Compliance for the Major Federal Program***

We have audited the Lorain Port Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of identifies the Authority's major federal program.

### ***Management's Responsibility***

The Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Lorain Port Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

***Report on Internal Control Over Compliance***

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 18, 2014

**LORAIN PORT AUTHORITY  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

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  
OCTOBER 2, 2014**