



OHIO AUDITOR OF STATE
KEITH FABER



**LORAIN COUNTY PORT AUTHORITY
LORAIN COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Lorain County Port Authority
Lorain County
226 Middle Avenue
Elyria, Ohio 44035

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Lorain County Port Authority, Lorain County, Ohio (the Authority), a component unit of Lorain County, Ohio as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 such 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Lorain County Port Authority, Lorain County, Ohio as of December 31, 2020, and the respective changes in its financial position and where applicable its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods for the Authority. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

June 30, 2021

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDING
DECEMBER 31, 2020
(UNAUDITED)**

The following Management's Discussion and Analysis (MD&A) of the Lorain County Port Authority's (the Authority) financial performance provides an introduction to the financial statements for the period January 1, 2020 through December 31, 2020.

FINANCIAL HIGHLIGHTS

- At December 31, 2020, the assets plus deferred outflows of resources of the Authority exceeded the liabilities plus deferred inflows of resources by \$8,086,847.
- Total net position increased by \$312,947 since December 31, 2019.
- The Authority's total revenue for 2020 is \$1,967,761 of which \$671,972 is operating revenues and \$1,295,789 is non-operating revenues.
- The Authority has \$1,654,814 in total expenses for 2020, of which \$1,420,964 are operating expenses and \$233,850 are non-operating expenses.

FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis of accounting. The Authority is divided into two kinds of activities: 1) A single business-type activity with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. 2) A Component Unit - The Authority includes financial data of the Lorain County Land Reutilization Corporation (Corporation). This component unit is described in Note 1 of the Notes to the Basic Financial Statements. The component unit is a separate entity and may buy, sell, lease and mortgage property in their own name and can sue or be sued in their own name. The following statements are included:

Statement of Net Position - presents information on all the Authority and Corporation's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Position - has been included to present information showing how the Authority and Corporation's net positions changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Statement of Cash Flows - present only the flow of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A Statement of Cash Flows is not presented for the Corporation.

Other Information

Notes to the Basic Financial Statements:

The notes provide additional and explanatory data. They are an integral part of the basic financial statements. Notes to the Basic Financial Statements can be found starting on page 15 of this report.

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDING
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(UNAUDITED)**

FINANCIAL POSITION

The following represents the Authority's financial position for the period ended December 31, 2020 and December 31, 2019:

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

	December 31, 2020	December 31, 2019
ASSETS:		
Current and Other Assets	\$9,796,309	\$8,400,065
Capital Assets, Net of Depreciation	4,295,553	4,385,315
Total Assets	14,091,862	12,785,380
DEFERRED OUTFLOWS OF RESOURCES	456,423	791,192
LIABILITIES:		
Current and Other Liabilities	1,004,419	348,224
Long-Term Liabilities	5,201,958	5,440,327
Total Liabilities	6,206,377	5,788,551
DEFERRED INFLOWS OF RESOURCES	255,061	14,121
NET POSITION:		
Net Investment in Capital Assets	4,295,553	4,385,315
Restricted	2,632,056	2,819,876
Unrestricted	1,159,238	568,709
Total Net Position	\$8,086,847	\$7,773,900

Current and Other Assets are made up of:

Cash and Cash Equivalents	\$154,070
Bond Program Reserves	2,520,556
Unamortized Bond Discount	51,000
Accounts Receivable from Customers	13
Intergovernmental Receivable	1,610,776
Notes Receivable	142,555
Due From Other Entities	3,580,412
Assets Held for Resale	1,736,927
Total Current and Other Assets	\$9,796,309

The Current and Other Liabilities consists mostly of the Revenue Bonds Current of \$170,000 and Intergovernmental Payable – LCLRC/LCPA, \$715,607. Long-Term Liabilities are made up of Revenue Bonds Noncurrent of \$3,375,000, a Loan Payable to the County in the amount of \$390,835, Net Pension and OPEB Liability of \$1,381,510, and an Unamortized Bond Premium of \$24,613.

Restricted Net Position is for Bond Fund Program Reserves, Demolition, and Neighborhood Stabilization.

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
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During 2020 the Authority's overall financial position increased by \$312,947.

- Total Assets have increased \$1,306,482 from 2019 due mainly to an increase in intergovernmental receivables and assets held for resale. Total Liabilities have increased \$417,826 from December 31, 2019 due mainly to an increase in intergovernmental payables.

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." The other post-employment benefits (OPEB) is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for employment benefits other than pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law.

The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

**LORAIN COUNTY PORT AUTHORITY
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The net Other Post-Employment Benefits (OPEB) liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

The following represents the Authority's summary of changes in net position:

**Table 2
Lorain County Port Authority
Revenues, Expenses and Changes in Net Position**

	For Year Ended December 31, 2020	For Year Ended December 31, 2019
Operating Revenues	\$671,972	\$528,724
Operating Expenses	<u>(1,420,964)</u>	<u>(1,681,264)</u>
Operating (Loss)	(748,992)	(1,152,540)
Non-Operating Revenues	1,295,789	1,948,785
Non-Operating Expenses	<u>(233,850)</u>	<u>(221,076)</u>
Change in Net Position	312,947	575,169
Net Position, Beginning of Year	<u>7,773,900</u>	<u>7,198,731</u>
Net Position, End of Year	<u><u>\$8,086,847</u></u>	<u><u>\$7,773,900</u></u>

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDING
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A comparative analysis of the Authority's financial position and change in net position is as follows:

- Operating Revenues increased \$143,248 from 2019 due mainly to advisor fees received for issuance of Lease Revenue Bonds.
- Non-Operating Revenues decreased \$652,996 from 2019 due mainly to monies due from Lorain County Land Reutilization Corporation and less contributed capital received in 2020.
- Operating Expenses decreased \$260,300 from 2019 due mainly to a decrease in payroll and fringe benefits.

CAPITAL ASSETS

The Authority's investment in capital assets as of December 31, 2020, amounts to \$4,295,553 (net of accumulated depreciation). This investment in capital assets consists of land, buildings, building improvements, and vehicles.

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

	2020	2019
Land	\$585,348	\$585,348
Buildings	2,721,456	2,785,778
Building Improvements	988,509	1,009,937
Vehicles	240	4,252
Total Capital Assets, Net of Depreciation	\$4,295,553	\$4,385,315

Additional detailed information relating to the Authority's capital assets is contained in Note 5 of the Notes to the Basic Financial Statements.

DEBT

At December 31, 2020, the Authority had outstanding debt of \$3,545,000 in revenue bonds. The Authority issued the debt to assist the Lorain County Land Reutilization Corporation (the Corporation) in land acquisition and new money projects. The debt is to be primarily paid by the Lorain County Land Reutilization Corp. The outstanding Loan Payable – County of \$390,835 represents the cumulative operating costs incurred by the Authority that have been paid by Lorain County.

Additional information regarding the Authority's conduit debt and loan payable-county can be found in Notes 10 and 12, respectively, of this report.

**LORAIN COUNTY PORT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDING
DECEMBER 31, 2020
(UNAUDITED)**

**Table 4
Lorain County Port Authority
Debt
(As of end of each year)**

	2020	2019
Loan Payable - County	390,835	418,808
Revenue Bonds	3,545,000	3,710,000
Total Long Term Debt	\$3,935,835	\$4,128,808

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Lorain County Port Authority finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: James Miller, Lorain County Port Authority, 226 Middle Avenue, Elyria, OH 44035.

LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020

	Primary Government	Component Unit
	Lorain County Port Authority	Lorain County Land Reutilization Corporation
Assets		
Current Assets:		
Cash and Cash Equivalents	\$154,070	\$4,200,926
Accounts Receivable	13	1,253
Intergovernmental Receivable	1,610,776	1,096,687
Assets Held for Resale	1,736,927	5,139,442
Notes Receivable	142,555	0
Total Current Assets	3,644,341	10,438,308
Noncurrent Assets:		
Restricted Bond Fund Program Reserves	2,520,556	0
Due From Other Entities	3,580,412	0
Unamortized Bond Discount	51,000	0
Capital Assets:		
Non-Depreciable Capital Assets	585,348	0
Depreciable Capital Assets, Net	3,710,205	0
Total Capital Assets	4,295,553	0
Total Noncurrent Assets	10,447,521	0
Total Assets	14,091,862	10,438,308
Deferred Outflows of Resources		
Pension	255,196	0
OPEB	201,227	0
Total Deferred Outflows of Resources	456,423	0
Liabilities		
Current Liabilities:		
Accounts Payable	10,005	13,142
Accrued Wages	7,515	0
Accrued Taxes	3,628	0
Accrued Interest	35,412	0
Security Deposits Payable	3,675	0
Due to Other Governments	0	170,000
Due to Other Governments-Accrued Interest	0	35,412
Intergovernmental Payable - LCLRC/LCPA	715,607	0
Intergovernmental Payable - County	31,795	645,493
Intergovernmental Payable - State	24,522	0
Intergovernmental Payable - City	722	0
Revenue Bonds	170,000	0
Unamortized Bond Premium	1,538	0
Total Current Liabilities	1,004,419	864,047
Noncurrent Liabilities:		
Due to Other Governments	30,000	3,375,000
Loan Payable - County	390,835	0
Net Pension and OPEB Liability		
Pension	836,879	0
OPEB	544,631	0
Total Net Pension and OPEB Liability	1,381,510	0
Revenue Bonds	3,375,000	0
Unamortized Bond Premium	24,613	0
Total Noncurrent Liabilities	5,201,958	3,375,000
Total Liabilities	6,206,377	4,239,047

See accompanying notes to the basic financial statements

(Continued)

LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020

(Continued)

	Primary Government	Component Unit
	Lorain County Port Authority	Lorain County Land Reutilization Corporation
Deferred Inflows of Resources		
Pension	177,520	0
OPEB	77,541	0
Total Deferred Inflows of Resources	255,061	0
Net Position		
Net Investment in Capital Assets	4,295,553	0
Restricted - Bond Fund Program Reserves	2,520,556	0
Restricted - Demolition	97,100	0
Restricted-Neighborhood Stabilization	14,400	0
Unrestricted	1,159,238	6,199,261
Total Net Position	\$8,086,847	\$6,199,261

LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

	Primary	Component Unit
	Government	Lorain County Land
	Lorain County	Reutilization
	Port Authority	Corporation
Operating Revenues		
Charges for Services	\$15,837	\$0
Operating Grants and Contributions	0	1,267,476
Rent	368,938	0
CVB-Other Monthly Fees	2,283	0
Other	284,914	18,229
Total Operating Revenues	671,972	1,285,705
Operating Expenses		
Bank Fees	2,620	0
Condominium	44,896	0
Depreciation	89,762	0
Fees	20	0
Fiscal Training	100	0
Equipment Maintenance	3,345	0
Fringe Benefits	590,447	0
Insurance	3,568	0
Miscellaneous	46,269	4,163
Commercial	64,439	0
Office Supplies	846	0
Payroll	158,510	0
Postage	632	0
Professional Services	334,209	147,346
Economic Development Activity	53,800	0
Project Activities	0	190,889
Property Taxes	17,381	0
Repairs & Maintenance	0	19,057
Tools & Supplies	2,439	0
Utilities	3,981	6,672
Vehicle	3,700	0
Total Expenses	1,420,964	368,127
Operating Income/(Loss)	(748,992)	917,578

(Continued)

LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019 *(Continued)*

	Primary Government	Component Unit
	Lorain County Port Authority	Lorain County Land Reutilization Corporation
Non-Operating Revenues (Expenses)		
Other Fees	1,246	0
Issuance Fees	275,000	0
Intergovernmental	204,245	0
Interest Income	100,853	1,650
Intra-Entity Transfer-Assets Held for Resale	361,940	0
Contribution of Capital	1,287	0
Gain on Sale of Asset Held for Resale	351,218	31,512
Loss on Transfer/Disposal of Assets Held for Resale	(21,240)	(711,336)
Disposal/Sale of Assets Held for Resale	(110,615)	0
Interest Expense	(101,995)	(53,719)
Total Non-Operating Revenues (Expenses)	1,061,939	(731,893)
Change in Net Position	312,947	185,685
Total Net Position, Beginning of Year	7,773,900	6,013,576
Total Net Position, End of Year	\$8,086,847	\$6,199,261

See accompanying notes to the basic financial statements

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Cash Flow From Operating Activities</u>	
Cash Received from Customers	\$767,227
Cash Payments to Suppliers for Goods and Services	(603,074)
Cash Payment to Employees for Services	(185,443)
Cash Payments for Employee Benefits	(58,668)
Net Cash (Used for) Operating Activities	<u>(79,958)</u>
 <u>Cash Flow From Noncapital Financing Activities</u>	
Intergovernmental Revenue	227,507
Bond Issuance Fees	275,000
Interest Income	11,918
Assets Held for Resale	(863,169)
Other Non-Operating Revenue	1,250
Other Non-Operating Expenses	(32,031)
Receipts from Loans to Other Entities	641,942
Receipts Due to Other Entities	87,500
Receivables from Other Entities	(800,000)
Net Cash Provided by Noncapital Financing Activities	<u>(450,083)</u>
 <u>Cash Flow From Capital Financing Activities</u>	
Proceeds from Sale of Capital Assets	218,173
Net Cash (Used for) Capital Financing Activities	<u>218,173</u>
Net Increase in Cash and Cash Equivalents	(311,868)
Cash and Cash Equivalents, Beginning of Year (Includes Restricted Bond Fund Program Reserves)	<u>2,986,494</u>
Cash and Cash Equivalents, End of Year (Includes Restricted Bond Fund Program Reserves)	<u><u>\$2,674,626</u></u>
 Reconciliation of Operating (Loss) to Net Cash (Includes Restricted Bond Fund Program Reserves)	
<u>Provided by Operating Activities</u>	
Operating (Loss)	(\$748,992)
Depreciation	89,762
Changes in Assets and Liabilities:	
Intergovernmental Receivable	94,581
Deferred Outflows of Resources	334,769
Accounts Payable	(20,155)
Accrued Wages	(26,550)
Accrued Taxes	(3,917)
Net Pension and OPEB Liability	(40,396)
Deferred Inflows of Resources	240,940
Net Cash (Used for) Operating Activities	<u>(79,958)</u>
See accompanying notes to the basic financial statements	

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**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Lorain County Port Authority (the Authority) was created by the Lorain County Board of Commissioners in 2001 to enhance economic development in Lorain County. The Authority is created in accordance with Section 4582.22 of the Ohio Revised Code.

The Authority is governed by a five-member Board of Directors (the Board) appointed by the Lorain County Board of Commissioners. Each member shall serve for a term of four years, except when a person is appointed to fill a vacancy, which is to be appointed to serve only the unexpired term. Members of the Board are eligible for re-appointment. The Board controls the employment of the Executive Director who is responsible for day-to-day operations.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Authority consists of all funds, departments, boards and agencies that are not legally separate from the Authority. For the Authority, this consists of the operating fund.

Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's Governing Board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations for which the Authority approves the budget, the issuance of debt, or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading.

Based on the foregoing criteria, the financial activities of the Lorain County Land Reutilization Corporation (Corporation) have been reflected in the accompanying basic financial statements as a discretely presented component unit due to the nature and significance of the relationship between the Authority and the Corporation being such that exclusion by the Authority would render the Authority's financial statements incomplete or misleading.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relating to the component unit can be found in Note 14. Separately issued financial statements can be obtained by contacting James Miller, Lorain County Land Reutilization Corporation, 226 Middle Avenue 4th Floor, Elyria, OH 44035.

As of December 31, 2020, the Authority has a liability to the County in the amount of \$390,835 for past and current operating loans. Under GASB Statements No. 14 and 61, this is considered to be a financial burden on the County. Also, the County can impose its will on the Authority through the appointment of the members of the Board of Directors. Therefore, the Authority is a component unit of the County whose financial statements are discretely presented in the County's financial statements.

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B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund. Enterprise funds are used to account for business-like activities. The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

C. Budgetary Process

Ohio Revised Code Section 4582.39 requires the Authority to prepare a budget annually. This budget includes estimated receipts and appropriations and is prepared on the cash basis of accounting.

D. Cash, Cash Equivalents and Investments

The Ohio Revised Code prescribes allowable deposits and investments. For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair value, which is based on quoted market prices.

E. Capital Assets

Capital assets are tangible and intangible assets which are intended to be held or used for the long-term. Capital assets include land, buildings, improvements, infrastructure, construction-in-progress and machinery and equipment. In common usage, the term refers only to operation facilities and equipment, not to long term investments or other non-current assets. At the Authority, capital assets are those with a minimum unit cost of \$15,000 and a useful life of two or more years, and that are not specifically excluded by policy. Donated capital assets are recorded at their fair market values as of the date received. Buildings are depreciated using the straight-line method for a period of 20-50 years. Improvements are depreciated using the straight-line method for a period of 5-50 years. Infrastructure is depreciated using the straight-line method for a period of 30-50 years. Machinery and Equipment is depreciated using the straight-line method for a period of 2-20 years.

F. Net Position

Net Investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. There were none restricted by enabling legislation in 2020.

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

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G. Operating Revenues and Expenses

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

H. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets or from outside contributions of resources restricted to capital acquisition and construction. The Authority had Contributions of Capital of \$1,287 in 2020.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those expected.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 8 and 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 8 and 9).

K. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

L. Debt Issuance Costs, Premiums, and Discounts

Debt issuance costs are reported as expenses in the period incurred. Bond premiums and discounts are deferred and amortized over the life of the bonds.

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M. Change in Accounting Principles

For the year ended December 31, 2020, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and Statement No. 91, *Conduit Debt Obligations*

GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Authority.

GASB Statement No. 88 provides guidance to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Authority.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Authority.

2. **DEPOSITS AND INVESTMENTS**

The provisions of the Ohio Revised Code govern the investments and deposits of Authority monies. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificate of deposit, savings accounts, money market accounts, the State Treasurer's Asset Reserve (STAR Ohio) investment pool and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of Authority cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. The Authority has no policy on custodial credit risk and is governed by Ohio Revised Code. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Deposits - At December 31, 2020, the bank balance of the Authority's deposits was \$154,071. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2020, all of the Authority's bank balance of \$154,071 was covered by Federal Deposit Insurance Corporation

Investments

As of December 31, 2020, the Authority had the following investments and maturities:

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<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard & Poor's Rating</u>	<u>Percent of Total Investments</u>
Fair Value-Level Two Input:				
First American Government Obligation Fund	\$2,520,556	Less than one year	AAAm	100%

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Authority's recurring fair value measurements as of December 31, 2020. The Authority's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The Authority has no policy regarding interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments had the following ratings by Standard & Poor's. The Authority has no policy regarding credit risk.

First American Government Obligation Fund	AAAm
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Concentration of Credit Risk: Concentration of credit risk is the possibility of loss attributed to the magnitude of the Authority's investment in a single issuer. One hundred percent of the Authority's investments are in First American Government Obligation Fund. The Authority's policy places no limit on the amount that may be invested in any one issuer. The Authority has no policy regarding concentration of credit risk.

3. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injury and natural disasters. Through Lorain County, the Authority is covered under the County Risk Sharing Authority, Inc. (CORSA). CORSA is a risk sharing pool made up of thirty-nine counties in Ohio and was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group of primary and excess insurance/self-insurance and risk management programs. The Authority has not had any claims that exceeded insurance coverage.

A surety bond of \$25,000 through Ohio Casualty Insurance Group covers the Board Secretary.

4. BOND FUND PROGRAM

The Authority has established a Bond Fund Program to provide long-term, fixed interest rate financing for qualified industrial, commercial and public projects. The primary purpose of the Bond Fund Program is to further economic development efforts and investment in Lorain County through the retention and creation of quality, private sector jobs.

The State of Ohio Department of Development (ODOD) awarded the Authority a grant of \$1,000,000, received in April 2003, which was deposited into the Bond Fund Program Reserve account. The conditional grant from ODOD is for 20 years, with the interest earned on the fund remitted back to ODOD through December 2012. Beginning 2013 and continuing through December 2023, 50 percent of the interest earned is required to be remitted back to ODOD.

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In December 2001, the Authority received a \$1,500,000 grant from Lorain County for the Bond Fund Program, which was also deposited into the Bond Fund Program Reserve account. 100% of the interest is required to be remitted back to the County.

Under the Program, debt service requirements on each bond issue are to be secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financial facilities. In addition, all borrowers are required to provide a letter of credit as additional security for the related bonds. Amounts in the Bond Fund Program Reserve may be used for debt service in the event the borrower is unable to make the required payments under the lease.

The amounts held in the Authority's Bond Fund Program Reserves were \$2,520,556 at December 31, 2020 and are reflected in the Statement of Net Position.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Capital Assets, Not Being Depreciated:				
Land	\$585,348	\$0	\$0	\$585,348
Total Capital Assets, Not Being Depreciated	585,348	0	0	585,348
Capital Assets, Being Depreciated:				
Buildings	3,211,186	0	0	3,211,186
Building Improvements	1,074,642	0	0	1,074,642
Vehicle	71,234	0	0	71,234
Total Capital Assets, Being Depreciated	4,357,062	0	0	4,357,062
Less Accumulated Depreciation:				
Buildings	(425,408)	(64,322)	0	(489,730)
Building Improvements	(64,705)	(21,428)	0	(86,133)
Vehicle	(66,982)	(4,012)	0	(70,994)
Total Accumulated Depreciation	(557,095)	(89,762)	0	(646,857)
Total Capital Assets, Being Depreciated, net	3,799,967	(89,762)	0	3,710,205
Total Capital Assets, net	\$4,385,315	(\$89,762)	\$0	\$4,295,553

6. RELATED PARTY ACTIVITY

The County has assigned staff to the operation of the Authority, under contract, and will - at its option, request reimbursement periodically from the Authority.

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7. LETTER OF CREDIT

On June 27, 2008, the Authority entered into an agreement to increase their Letter of Credit with Northwest Bank from three million dollars to eight million dollars. The purpose of the Letter of Credit is to supplement the reserves available in the Program Reserve Fund and enable the Authority to issue additional series of bonds under the indenture to finance costs of projects and promote the creation and preservation of jobs and employment opportunities within the County. Due to market conditions and with the intent to enhance the marketability and rating on a bond financed expansion project, the Authority supplemented the existing Letter of Credit with an additional wrapping Letter of Credit with the Federal Home Loan Bank of Cincinnati (FHLB). However, market conditions at that time dictated that the firm pull out of the project. As of December 31, 2020, the Authority has not used the Northwest Bank Letter of Credit or the supplemental FHLB Letter of Credit. The Authority has maintained the enhancements with the goal to attract a partnership with another Port Authority, or to attract suitable business attraction/expansion to meet the Authority's core mission of economic development in Lorain County.

8. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions -- between an employer and its employees -- of salaries and benefits for employee services. Pensions are provided to an employee -- on a deferred-payment basis -- as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plans' unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable*.

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Ohio Public Employees Retirement System (OPERS)

Plan Description - Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS Administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (See OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2020 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$21,617 for 2020. Of this amount, \$3,520 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportion of the Net Pension Liability:	
Current Measurement Date	0.00423400%
Prior Measurement Date	0.00359700%
Change in Proportionate Share	0.00063700%
Proportionate Share of the Net Pension Liability	\$836,879
Pension Expense	\$369,420

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At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>OPERS</u>
Deferred Outflows of Resources	
Differences between expected and	
Changes of assumptions	\$44,699
Changes in proportion and the difference between Authority	
contributions and proportionate share of contributions	188,880
Authority contributions subsequent to the	
measurement date	<u>21,617</u>
Total Deferred Outflows of Resources	<u><u>\$255,196</u></u>
Deferred Inflows of Resources	
Differences between expected and	
actual experience	\$10,581
Net difference between projected and	
actual earnings on pension plan investments	<u>166,939</u>
Total Deferred Inflows of Resources	<u><u>\$177,520</u></u>

\$21,617 reported as deferred outflows of resources related to pension resulting from Authority contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>
Year Ending	
December 31:	
2021	\$21,941
2022	\$21,941
2023	<u>\$12,177</u>
Total	<u><u>\$56,059</u></u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are present below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA:	3.25 to 10.75 percent including wage inflation
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	1.4 percent, simple through 2020, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described table.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board’s investment consultant.

During 2019, OPERS managed investments in three investment portfolios: The Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2% for 2019.

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The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Authority's proportionate share of the net pension liability	\$1,380,284	\$836,879	\$348,374

9. Defined Benefit OPEB Plans

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. OPEB are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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The net OPEB liability represents the Authority's proportionate share of each OPEB Plan's collective actuarial present value of projected benefit payments attributable to past period of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, included estimated average life expectancies, earnings on investments, costs of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member direct plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by Systems' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers' contribution rate was 14.00 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by the OPERS' actuary, the portion of employer contributions allocated to healthcare beginning January 1, 2019 decreased to zero percent for both plans. The OPERS Board is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member- Directed Plan for 2020 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was reduced to zero for 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Proportion of the Net OPEB Liability:	
Current Measurement Date	0.00394300%
Prior Measurement Date	0.00335000%
Change in Proportionate Share	0.00059300%
Proportionate Share of the Net OPEB Liability	\$544,631
OPEB Expense	\$187,511

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At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>
Deferred Outflows of Resources	
Differences between expected and actual experience	\$15
Changes of assumptions	86,209
Changes in proportion and the difference between Authority contributions and proportionate share of contributions	<u>115,003</u>
Total Deferred Outflows of Resources	<u><u>\$201,227</u></u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$49,809
Net difference between projected and actual earnings on pension plan investments	<u>27,732</u>
Total Deferred Inflows of Resources	<u><u>\$77,541</u></u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>
Year Ending	
December 31:	
2021	\$46,007
2022	46,007
2023	<u>31,672</u>
Total	<u><u>\$123,686</u></u>

Actuarial Assumptions – OPEB

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.75 percent
Health Care Cost Trend Rate	10.5 percent, initial 3.50 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: The Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7% for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity to the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table represents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Authority's proportionate share of the net OPEB liability	\$712,737	\$544,631	\$410,033

Sensitivity to the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table represents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

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Authority's proportionate share of the net OPEB liability	Current Health Care Cost Trend Rate		
	<u>1% Decrease</u>	<u>Assumption</u>	<u>1% Increase</u>
	\$468,237	\$544,631	\$560,497

10. BOND AND NET PENSION LIABILITIES

Long-Term Obligations

Changes in bond and net pension and OPEB liabilities of the Authority during fiscal year 2020 were as follows:

	<u>Balance 12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding 12/31/2020</u>	<u>Amounts Due in One Year</u>
Revenue Bond Series					
2017 \$4,000,000 2%-4% Maturing on 09/01/2037					
Revenue Bonds	\$3,710,000	\$0	(\$165,000)	\$3,545,000	\$170,000
Unamortized Premium on Bonds	27,690	0	(1,538)	26,152	1,538
Total General Obligation Bonds	<u>\$3,737,690</u>	<u>\$0</u>	<u>(\$166,538)</u>	<u>\$3,571,152</u>	<u>\$171,538</u>
Net Pension and OPEB Liability					
OPERS-Pension	\$985,145	\$0	(\$148,266)	\$836,879	\$0
OPERS-OPEB	436,761	107,870	0	544,631	0
Total Net Pension and OPEB Liability	<u>\$1,421,906</u>	<u>\$107,870</u>	<u>(\$148,266)</u>	<u>\$1,381,510</u>	<u>\$0</u>
Total Bond and Net Pension and OPEB Liabilities					
	<u>\$5,159,596</u>	<u>\$107,870</u>	<u>(\$314,804)</u>	<u>\$4,952,662</u>	<u>\$171,538</u>

In November, 2017, the Authority issued revenue bonds to repay year 2016 BANs and provide ongoing match funds to Lorain County Land Reutilization Corporation that support the costs of match funds for demolition grant programs that aid in reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, or other such real property within Lorain County which is the mission of the LCLRC. The various state programs are reimbursement based and require expenditure first, reimbursement requests later. The LCLRC will repay the bonds using DRETAC receipts. The Authority is not obligated in any manner for repayment of the bonds. However, a liability equal to the debt along with a corresponding receivable from the benefitting third party responsible for its ultimate repayment is reported in the accompanying financial statements. The issuance of such debt is an authorized purpose of the Port Authority under O.R.C. and drives local economic development. The aforementioned issuance of conduit debt does not produce additional revenues for the Authority beyond a nominal issuance fee.

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The annual requirements to amortize the long-term debt are as follows:

Fiscal Year Ending December 31	Revenue Bond Series 2017		
	Principal Payment	Interest	Total
2021	170,000	105,943	275,943
2022	170,000	102,544	272,544
2023	170,000	99,143	269,143
2024	170,000	95,742	265,742
2025	185,000	92,343	277,343
2026-2030	995,000	378,065	1,373,065
2031-2035	1,165,000	194,208	1,359,208
2036-2037	520,000	25,350	545,350
Totals	\$3,545,000	\$1,093,338	\$4,638,338

11. MANAGEMENT AGREEMENT

Effective May 25, 2012, the Authority entered into a three-year Management Agreement with Lorain County Land Reutilization Corp (Corporation). The Agreement’s term will renew for additional, successive one (1) year periods in perpetuity upon mutual consent of the parties. The Authority shall serve as the Management Company and shall assist the Corporation in the administration and execution of the Agreement and Plan entered into with the Lorain Board of County Commissioners, Lorain County, Ohio. The Authority shall act as the executive of the Corporation and will act under the direction of the Corporation as established by the Corporation Board through its Code of Regulation, other policies, and specific direction. The management fee for the Authority’s services is 3% of the delinquent tax and assessment collection monies received by Corporation annually.

12. LOAN PAYABLE

Loan Payable – County represents the cumulative operating costs incurred by the Authority that have been paid by Lorain County. There is no repayment schedule. At December 31, 2020, the outstanding balance was \$390,835.

Loan payable activity for the year ended December 31, 2020, was as follows:

	Balance 01/01/2020	Additions	Deletions	Balance 12/31/2020
Loan Payable	\$418,808	\$5,346	(\$33,319)	\$390,835

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13. CONDUIT DEBT OBLIGATIONS

To further economic development in the County, the Authority has issued Lease Revenue Bonds that provide capital financing for the construction of a facility to be leased to Bendix Commercial Vehicles Systems LLC for use as its "North American Headquarters and R&D facility. The property financed is pledged as collateral, and the bonds are payable solely from payments received from the Master Lease Agreement with Bendix Commercial Vehicle System LLC. In addition, no commitments beyond the lease payments were extended by the Authority for any of the bonds. At December 31, 2020 the bonds have an outstanding principal amount payable of \$72,284,958.

14. CONTINGENCIES

Litigation

The Corporation is not party to any legal proceedings.

15. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Corporation. In addition, the impact on the Corporation's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

16. LORAIN COUNTY LAND REUTILIZATION CORPORATION

NOTE 1 – DESCRIPTION OF THE CORPORATION AND REPORTING ENTITY

The Lorain County Land Reutilization Corporation (the Corporation) is a body corporate and politic organized on May 25, 2012 by the Lorain County Board of Commissioners (LCBC). The Corporation is created in accordance with Section 1724 of the Ohio Revised Code.

The Corporation meets the criteria for reporting as a discretely presented component unit of the Lorain County Port Authority for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

The Corporation is governed by a seven-member Board of Directors (the Board) consisting of the County Treasurer (ex officio Director), three County Commissioners (ex officio Directors), one member who is a representative of a municipal corporation, one member who is a representative of a township, and one resident of Lorain County having private sector or nonprofit experience in rehabilitation or real estate acquisitions.

Component units are legally separate organizations for which the Corporation is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Corporation itself is included in the financial reporting entity.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these basic financial statements are summarized below. These policies conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The more significant of the Corporation's policies are described below.

A. *Basis of Presentation*

The Corporation's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Corporation as a whole. These statements include the financial activities of the primary government. These statements usually distinguish between those activities of the Corporation that are governmental and those that are considered business-type. The Corporation, however, does not have business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Corporation at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Corporation, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Corporation.

B. *Fund Accounting*

The Corporation uses fund accounting to segregate cash and investments that are restricted as to use. A fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the Corporation's fund is classified as governmental.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be repaid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the Corporation's only governmental fund:

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General Fund The general fund accounts for all financial resources that are received from the County Treasurer from penalties collected on delinquent property taxes and interest on those delinquencies. The general fund receives 5% of all collections of delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County's Delinquent Tax Assessment and Collection Tax (DTACT) fund. The general fund balance is available to the Corporation for any purpose provided it is expended or transferred according to the general laws of Ohio. In addition, the fund receives monies from The U.S. Treasury through the Ohio Housing Finance Agency.

C. *Measurement Focus*

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the Corporation are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements

The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund.

D. *Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The general fund uses the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Corporation, available means expected to be received within sixty days of year-end.

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Nonexchange transactions, in which the Corporation receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Corporation must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Corporation on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, intergovernmental revenue and operating grant sources are considered to be both measurable and available at year-end.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

In 2020, the Corporation had no deferred outflows/inflows of resources.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Federal Income Tax

The Corporation is exempt from federal income tax under Section 115(1) of the Internal Revenue Code.

E. Budgetary Process

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Board of Directors of the Corporation is required by their Code of Regulations to adopt an annual budget prior to the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required. For 2020, the Board of Directors adopted an annual budget prior to the beginning of the fiscal year.

F. Cash, Cash Equivalents with Fiscal Agents

The Lorain County Port Authority (the Authority) is currently holding deposits that belong to the Corporation which are represented by "Cash and cash equivalents with fiscal agents" on the Statement of Position. The Authority's cash holds the Corporation's cash, which is reported at the Authority's carrying amount. Deposits and investments disclosures for the Authority as a whole may be obtained from the Authority. This information may be obtained by writing James Miller, Director, 226 Middle Avenue 4th Floor, Elyria, OH 44035.

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G. Assets Held for Resale

Assets held for resale represent properties purchased by or donated to the Corporation. These properties are valued based upon the purchase price plus any costs of maintenance, rehabilitation, or demolition of homes on the properties. For donated properties, the asset is reported at fair value which is based on the taxable value as determined by the County Auditor. The Corporation holds the properties until the home is either sold to a new homeowner, sold to an individual who will rehabilitate the home, or the home on the property is demolished. Properties with demolished homes could be transferred to the city or township they are in after demolition, until those parcels may be merged with adjacent parcels for development or green space projects, or the Corporation may sell other lots to the owners of adjacent parcels for a nominal cost.

H. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the financial statements of the general fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received.

All capital assets, excluding land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method for buildings over useful lives of fifty years. The Corporation had no capital assets in 2020.

I. Accrued Liabilities

All payables, accrued liabilities and non-current liabilities are reported in the government-wide financial statements. The Corporation had non-current liabilities in 2020.

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund.

J. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Corporation is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted Fund balance is reported as 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 COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Corporation for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board or a Corporation official delegated that authority, or by State Statute.

Unassigned The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

The Corporation 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.

K. Net Position

Net position represents assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Corporation had no deferred outflows or inflows of resources.

L. Intergovernmental Revenue

The Corporation receives operating income through Lorain County. This money represents the penalties and interest on current unpaid and delinquent property taxes once these taxes are paid. Pursuant to ORC 321.263, these penalty and interest monies are collected by the County when taxes are paid and then are paid to the Corporation. In addition, the fund receives monies from The U.S. Treasury through the Ohio Housing Finance Agency.

M. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 – Receivables

Intergovernmental receivables at December 31, 2020 consisted of funds due from the Authority and the Ohio Housing Finance Agency. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 4 – Transactions with Lorain County

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation has been authorized by the Lorain County Board of Commissioners to receive 5% of all collections of delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County’s Delinquent Tax Assessment and Collection Tax (DTACT) fund and will be available for appropriation by the Corporation to fund operations. At December 31, 2020, the Corporation recognized revenues of \$884,496 for these fees that were collected by the County in 2020.

NOTE 5 – Management Agreement and Activities

Effective May 25, 2012, the Corporation entered into a three-year Management Agreement with the Authority. The Agreement’s term will renew for additional, successive one (1) year periods in perpetuity upon mutual consent of the parties. The Authority shall serve as the Management Company and shall assist the Corporation in the administration and execution of the Agreement and Plan entered into with the Lorain Board of County Commissioners, Lorain County, Ohio. The Authority shall act as the executive of the Corporation and will act under the direction of the Corporation as established by the Corporation Board through its Code of Regulation, other policies, and specific direction.

In November 2017, the Authority issued \$4,000,000 in Land Reutilization Project Revenue Bonds 2.00%-3.25% interest Land Reutilization Project Revenue Bonds to facilitate the effective reutilization of nonproductive, land situated within the boundaries of Lorain County and the payment of the costs of issuance related thereto. The bonds mature in September 2037. The Authority, as issuer and the Corporation, as borrower, are the primary obligated parties on the bonds. A liability equal to the debt along with a corresponding receivable from the Corporation responsible for its ultimate repayment is reported in the Authority’s financial statements. A due to other governments has been reported on the Corporation’s financial statements.

NOTE 6 - Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2020, the Corporation contracted with Allied World Assurance Co Holding Ltd. for various types of insurance as follows:

Type	Coverage
Public Officials Liability	\$2,000,000
Non-Monetary Coverage	\$50,000/\$100,000
Employment Practices Liability	\$2,000,000
Public Officials Crisis Management	\$25,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 7 – Debt

The following is a summary of the amount due to other governments for the year ended December 31, 2020:

	<u>Governmental Activities</u>
Due to Other Governments at January 1, 2020	3,710,000
Principal Payments	<u>(\$165,000)</u>
Due to Other Governments at December 31, 2020	<u><u>\$3,545,000</u></u>

The following is a summary of the Corporation’s future debt service requirements as of December 31, 2020:

Fiscal Year Ending <u>December 31:</u>	<u>Due to Other Governments</u>	
	<u>Principal</u>	<u>Interest</u>
2021	170,000	105,943
2022	170,000	102,544
2023	170,000	99,143
2024	170,000	95,744
2025	185,000	92,343
2026-2030	995,000	378,065
2031-2035	1,165,000	194,208
2036-2037	520,000	25,350
Totals	<u><u>3,545,000</u></u>	<u><u>1,093,340</u></u>

On November 1, 2017, the Authority issued bonds for the benefit of the Corporation. The payment of principal and interest will be made first with the DRETAC/LCLRC receipts and second with the non-tax revenue funds of the County. As issuer, the bonds are presented on the Authority’s financial statements. The amount payable to the Authority by the Corporation for the payment on the bonds is presented on the Corporation’s books as due to other governments.

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 8 – Contingencies

A. Grants

The Corporation received financial assistance from a Federal agency in the form of a grant. The disbursement of funds received under this program generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the Corporation. However, the effect of any such disallowed claims on the overall financial position of the Corporation at December 31, 2020, if applicable, cannot be determined at this time.

B. Litigation

The Corporation is not party to any legal proceedings.

NOTE 9 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Corporation. In addition, the impact on the Corporation's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Seven Fiscal Years (1)**

	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.004234%	0.003597%	0.001653%	0.000462%	0.000312%	0.000246%	0.000246%
Authority's Proportionate Share of the Net Pension Liability							
Liability	\$836,879	\$985,145	\$259,324	\$94,797	\$54,042	\$29,670	\$29,000
Authority's Covered-Employee payroll	\$595,731	\$485,881	\$73,377	\$59,717	\$38,833	\$33,925	\$18,569
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	140.48%	202.75%	353.41%	158.74%	139.17%	87.46%	156.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

(2) Amounts presented for each year were determined as of the Authority's measurement date which is the prior year end.

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Schedule of the Authority's Contributions
Ohio Public Employees Retirement System of Ohio
Last Eight Fiscal Years (1)**

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	\$21,617	\$83,402	\$68,023	\$9,539	\$7,166	\$4,660	\$4,071	\$2,414
Contributions in Relation to the Contractually Required Contributions	(21,617)	(83,402)	(68,023)	(9,539)	(7,166)	(4,660)	(4,071)	(2,414)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Authority Covered-Employee Payroll	\$154,407	\$595,731	\$485,881	\$73,377	\$59,717	\$38,833	\$33,925	\$18,569
Contributions as a percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Schedule of the Authority's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System - OPEB Plan
Last Four Fiscal Years (1)**

	2020	2019	2018	2017
Authority's Proportion of the Net OPEB Liability	0.003943%	0.003350%	0.001540%	0.000430%
Authority's Proportionate Share of the Net OPEB Liability	\$544,631	\$436,761	\$167,233	\$46,664
Authority's Covered-Employee payroll	\$595,731	\$485,881	\$73,377	\$59,717
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	91.42%	89.89%	227.91%	78.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

(2) Amounts presented for each year were determined as of the Authority's measurement date which is the prior year end.

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Schedule of the Authority's Contributions - OPEB
Ohio Public Employees Retirement System of Ohio
Last Five Fiscal Years (1)**

	2020	2019	2018	2017	2016
Contractually Required Contributions	\$0	\$0	\$194	\$748	\$1,218
Contributions in Relation to the Contractually Required Contributions	0	0	(194)	(748)	(1,218)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0
Authority Covered-Employee Payroll	\$154,407	\$595,731	\$485,881	\$73,377	\$59,717
Contributions as a percentage of Covered-Employee Payroll	0.00%	0.00%	4.00%	1.02%	2.04%

(1) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

**LORAIN COUNTY PORT AUTHORITY
(A COMPONENT UNIT OF LORAIN COUNTY)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2019-2020.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)-OPEB

Changes in assumptions: For 2020, the single discount rate changed from 3.96 percent to 3.16 percent.

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

Lorain County Port Authority
Lorain County
226 Middle Avenue
Elyria, Ohio 44035

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 business-type activities and the discretely presented component unit of the Lorain County Port Authority, Lorain County, Ohio (the Authority), a component unit of Lorain County, Ohio as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 30, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Authority.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

June 30, 2021



**LORAIN COUNTY PORT AUTHORITY
LORAIN COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

DECEMBER 31, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	The Authority recorded material errors to the financial statements and notes to the financial statements, including: capital asset additions; deferred outflows and inflows of resources and pension expense related to the net pension liability for OPERS; deferred outflows and inflows of resources and OPEB expense related to the net OPEB liability for OPERS; and reported net position allotted for economic development as Restricted Fund Balance instead of Unrestricted Fund Balance.	Fully Corrected	None.
2019-002	During 2019, an Authority Secretary III did not have employee healthcare insurance deductions made from her bi-weekly pays, totaling \$1,412. A finding for recovery, for public monies illegally expended was issued against the Secretary III. The Authority's Director, who was responsible for the management of the Authority and the payroll functions was jointly and severally liable in the amount of \$1,412.	Fully Corrected	Collection efforts have been instituted against the Authority Secretary III for the amount of \$1,412 and are ongoing.

OHIO AUDITOR OF STATE KEITH FABER



LORAIN COUNTY PORT AUTHORITY

LORAIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 7/27/2021

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This report is a matter of public record and is available online at
www.ohioauditor.gov