



Dave Yost • Auditor of State



LORAIN COUNTY PORT AUTHORITY  
LORAIN COUNTY

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# Dave Yost • Auditor of State

## 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, 2014, 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, 2014, 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.

**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*, 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 25, 2015, 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.



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

June 25, 2015

**LORAIN COUNTY PORT AUTHORITY  
(A COMPONENT UNIT OF LORAIN COUNTY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

The following Management's Discussion and Analysis (MD&A) of the Lorain County Port Authority's (the Authority) financial performance provides an introduction to the financial statements for the year ended December 31, 2014. The information contained in this MD&A should be considered in conjunction with the information contained in the Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- At December 31, 2014, the assets of the Authority exceeded the liabilities by \$5,951,741.
- Total net position for 2014 increased by \$1,464,997 or 32.7% which is an increase from 2013, in which net position increased \$135,540 or 3.1% from 2012.
- The Authority's total revenues amounted to \$822,808 in 2014, of which \$260,004 or 31.6% were operating revenues and \$562,804 or 68.4% were non-operating revenues.
- The Authority had \$498,379 in total expenses in 2014, of which \$491,700 or 98.7% were operating expenses and \$6,679 or 1.3% were 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 (Land Bank). 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 Land Bank's assets and liabilities, 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 Land Bank'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 – presents 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 Land Bank.

**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 11 of this report.

**LORAIN COUNTY PORT AUTHORITY  
(A COMPONENT UNIT OF LORAIN COUNTY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

FINANCIAL POSITION

The following represents the Authority's financial position for the years ended December 31, 2014 and December 31, 2013:

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

	2014	2013
<b>ASSETS:</b>		
Current and Other Assets	\$6,248,043	\$5,926,827
Capital Assets, Net of Depreciation	2,920,132	1,795,205
Total Assets	9,168,175	7,722,032
<b>LIABILITIES:</b>		
Current and Other Liabilities	2,817,576	2,825,607
Long-Term Liabilities	398,858	409,681
Total Liabilities	3,216,434	3,235,288
<b>NET POSITION:</b>		
Net Investment in Capital Assets	2,920,132	1,766,636
Restricted	2,519,941	2,512,668
Unrestricted	511,668	207,440
Total Net Position	\$5,951,741	\$4,486,744

2014 was the thirteenth year of operations for the Authority. Restricted Assets and Restricted Net Position represents grant funds from the State of Ohio Department of Development and Lorain County along with designated interest earnings. These funds are held in a trust with U.S. Bank to cover debt service payments in the event a borrower participating in the Authority's Bond Fund Program is unable to make the required payments.

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

During 2014, the Authority's overall financial position increased by \$1,464,997.

- Total Assets increased \$1,446,143 from 2013 due mainly to an increase in capital assets and assets held for resale. Total Liabilities decreased \$18,854 from 2013 due mainly to a decrease in judgments payable and accounts payable.

**LORAIN COUNTY PORT AUTHORITY  
(A COMPONENT UNIT OF LORAIN COUNTY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

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**

	2014	2013
Operating Revenues	\$260,004	\$108,023
Operating Expenses	(491,700)	(342,978)
Operating Income	(231,696)	(234,955)
Non-Operating Revenues	562,804	390,505
Non-Operating Expenses	(6,679)	(20,010)
Income Before Contributions and Transfers	324,429	135,540
Capital Contributions	500,880	0
Intra-Entity Transfer Capital Assets	639,688	0
Change in Net Position	1,464,997	135,540
Net Position, Beginning of Year	4,486,744	4,351,204
Net Position, End of Year	\$5,951,741	\$4,486,744

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

- Operating Revenues increased \$151,981 from 2013 due mainly to an increase in rental income.
- Non-Operating Revenues increased \$172,299 from 2013 due mainly to an increase in grants received.
- Operating Expenses increased \$148,722 from 2013 due mainly to an increase in contractual services.

Due to slower than expected local economic growth as well as continued limited financial resources available to the Authority, growth in bonding activity has been below expectations. The Authority continues to be approached by firms who have interests in expansion, refinancing, or other types business activity, but these firms have not, as of yet, requested ratings, or that underwriting continue beyond the Authority's review of financial position.

So, inasmuch as the Authority continues to receive applications from various companies' future activity for the growth of the Authority as a lender participating in financing economic development activities seems hopeful. Lorain County directed all Industrial Revenue Bonds (IRB) to be processed by the Authority beginning midyear 2008 and the Authority continues to participate at that level. All ongoing fees and interest payments are made and retained by the Authority from ongoing issuances. However, due to the market conditions stated above; the Authority's activity has remained at the intake and review level. The Authority continues to seek out market solutions, including but not limited to, maintaining ongoing cooperative agreements with other Port Authorities. The expectation is continuing to act as an avenue for encouraging economic develop and jobs creation at the level of providing finance tools to local companies.

**LORAIN COUNTY PORT AUTHORITY  
(A COMPONENT UNIT OF LORAIN COUNTY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

**CAPITAL ASSETS**

The Authority's investment in capital assets as of December 31, 2014, amounts to \$2,920,132 (net of accumulated depreciation). This investment in capital assets consists of land, buildings, building improvements, and a vehicle. The total increase of \$1,124,927 in the Authority's investment in capital assets for the current year was due to an intra-entity transfer of property from the Lorain County Land Reutilization Corporation and a capital contribution.

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

	2014	2013
Land	\$568,688	\$350,482
Buildings	2,038,024	1,118,672
Building Improvements	291,168	297,441
Vehicles	22,252	28,610
Total Capital Assets, Net of Depreciation	\$2,920,132	\$1,795,205

Additional detailed information relating to the Authority's capital assets is contained in Note 6 of the Notes to the Basic Financial Statements.

**DEBT**

At December 31, 2014, the Authority had outstanding conduit debt of \$2,746,814 in revenue bond anticipation notes and a capital lease of \$17,581. The Authority issued the debt to assist a third party in acquiring real property. The third party is responsible for repaying the debt. The debt is to be primarily paid by the Lorain County Land Reutilization Corp. The outstanding Loan Payable – County of \$391,221 represents the cumulative operating costs incurred by the Authority that have been paid by Lorain County. The capital lease was for a maintenance truck.

Additional information regarding the Authority's capital lease, conduit debt, and loan payable-county can be found in Notes 7, 12, and 15, respectively, of this report.

Table 4  
Long Term Debt  
(As of end of each year)

	2014	2013
Bond Anticipation Notes	\$2,746,814	\$2,700,000
Loan Payable - County	391,221	391,221
Capital Lease	17,581	28,569
Total Long Term Debt	\$3,155,616	\$3,119,790

**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: Patrick Metzger, 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, 2014**

	Primary Government	Component Unit
	Lorain County Port Authority	Lorain County Land Reutilization Corporation
Assets		
Current Assets:		
Cash and Cash Equivalents	\$150,361	\$2,772,678
Accounts Receivable	2,856,314	0
Intergovernmental Receivable	0	79,920
Assets Held for Resale	676,878	22,587
Notes Receivable	61,229	0
Total Current Assets	<u>3,744,782</u>	<u>2,875,185</u>
Noncurrent Assets:		
Restricted Bond Fund Program Reserves	2,503,261	0
Capital Assets:		
Non-Depreciable Capital Assets	568,688	0
Depreciable Capital Assets, Net	2,351,444	0
Total Capital Assets	<u>2,920,132</u>	<u>0</u>
Total Noncurrent Assets	<u>5,423,393</u>	<u>0</u>
Total Assets	<u>9,168,175</u>	<u>2,875,185</u>
Liabilities		
Current Liabilities:		
Accounts Payable	21,241	2,979,781
Accrued Wages	1,455	0
Security Deposits Payable	2,675	0
Bond Anticipation Note	2,746,814	0
Intergovernmental Payable - County	30,501	0
Intergovernmental Payable - State	4,946	0
Lease Payable-Current	9,944	0
Total Current Liabilities	<u>2,817,576</u>	<u>2,979,781</u>
Noncurrent Liabilities:		
Loan Payable - County	391,221	0
Lease Payable	7,637	0
Total Noncurrent Liabilities	<u>398,858</u>	<u>0</u>
Total Liabilities	<u>3,216,434</u>	<u>2,979,781</u>
Net Position		
Net Investment in Capital Assets	2,920,132	0
Restricted - Economic Development	16,680	0
Restricted - Bond Fund Program Reserves	2,503,261	0
Unrestricted (Deficit)	511,668	(104,596)
Total Net Position	<u>\$5,951,741</u>	<u>(\$104,596)</u>

See accompanying notes to the basic financial statements.

**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, 2014**

	Primary Government	Component Unit
	Lorain County Port Authority	Lorain County Land Reutilization Corporation
<b>Operating Revenues</b>		
Charges for Services	\$3,155	\$0
Donations	1,550	0
Rent	243,609	3,850
CVB-Other Monthly Fees	11,690	0
Total Operating Revenues	260,004	3,850
<b>Operating Expenses</b>		
Bank Fees	35,222	0
Condominium	50,533	0
Contractual Services	166,256	0
Commercial	12,609	0
Dues	400	0
Insurance	3,514	0
Depreciation	44,385	0
Judgment	37,500	0
Miscellaneous	704	36
Postage	396	0
Program Administration	0	50,840
Professional Services	80,745	854,459
Project Activities	0	27,834
Repairs & Maintenance	0	715
Tools & Supplies	991	0
Office Supplies	2,696	0
Scholarships	450	0
Economic Development Activity	2,114	0
Payroll	30,896	0
Fringe Benefits	12,602	0
Fiscal Training	739	0
Trustee Fees	7,250	0
Utilities	0	6,173
Vehicle	1,248	0
Equipment Maintenance	450	0
Total Expenses	491,700	940,057
<b>Operating (Loss)</b>	<b>(231,696)</b>	<b>(936,207)</b>

See accompanying notes to the basic financial statements.

*(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, 2014** *(Continued)*

	Primary Government	Component Unit
	Lorain County Port Authority	Lorain County Land Reutilization Corporation
Non-Operating Revenues (Expenses)		
Subsidy-County	25,000	0
Administrative Fees	31,645	0
Management Fees	47,518	0
Special Assessments	65,867	0
Intergovernmental	377,565	1,260,604
Bond Issuance Fees	3,000	0
Interest Income	5,101	0
Other	7,108	1,827
Interest Expense	(6,679)	(46,814)
Total Non-Operating Revenues (Expenses)	<u>556,125</u>	<u>1,215,617</u>
Income Before Contributions and Transfers	324,429	279,410
Capital Contributions	500,880	24,390
Intra-Entity Transfer Capital Assets	639,688	(639,688)
Change in Net Position	<u>1,464,997</u>	<u>(335,888)</u>
Total Net Position, Beginning of Year	4,486,744	231,292
Total Net Position, End of Year	<u><u>\$5,951,741</u></u>	<u><u>(\$104,596)</u></u>

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, 2014**

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<u>Cash Flow From Operating Activities</u>	
Cash Received from Customers	\$256,848
Cash Payments to Suppliers for Goods and Services	(451,812)
Cash Payments to Employees for Services	(32,099)
Cash Payments for Employee Benefits	(19,315)
Net Cash (Used for) Operating Activities	<u>(246,378)</u>
<u>Cash Flow From Noncapital Financing Activities</u>	
Subsidy Received	25,000
Intergovernmental Revenue Received	377,565
Taxes Received	173,653
Special Assessment Revenue Received	65,868
Administrative Fee	25,000
Bond Issuance Fees	3,000
Bond Refund	1,273
Interest Income	5,663
Security Deposits Received	475
Repayment of Security Deposit	(400)
Proceeds from Bond Anticipation Note	2,746,814
Other Receipts	5,271
Notes to Other Entities	(170,732)
Repayment from Notes to Other Entities	109,503
Repayment of Loan Payable-County	(3,059)
Repayment of Intergovernmental Payable-State	(1,020)
Purchase of Assets Held for Resale	(175,998)
Principal Payments	(2,700,000)
Interest Expense	(46,814)
Net Cash Provided by Noncapital Financing Activities	<u>441,062</u>
<u>Cash Flow From Capital Financing Activities</u>	
Acquisition of Capital Assets	(529,624)
Payments for Capital Lease	(10,988)
Interest Payments	(1,741)
Net Cash (Used for) Capital Financing Activities	<u>(542,353)</u>
Net Decrease in Cash and Cash Equivalents	(347,669)
Cash and Cash Equivalents, Beginning of Year (Includes Restricted Bond Fund Program Reserves)	<u>3,001,291</u>
Cash and Cash Equivalents, End of Year (Includes Restricted Bond Fund Program Reserves)	<u>\$2,653,622</u>
<u>Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities</u>	
Operating (Loss)	(\$231,696)
Depreciation	44,385
Accounts Receivable	(4,450)
Accounts Payable	(10,219)
Accrued Wages and Benefits	(506)
Judgments Payable	(37,500)
Intergovernmental Payable-County	(6,160)
Intergovernmental Payable-State	(232)
Net Cash (Used for) Operating Activities	<u>(\$246,378)</u>

Non-Cash Capital Activities:

The Authority received \$500,880 in Capital Contributions and \$639,688 in Intra-Entity Transfer of Capital Assets

See accompanying notes to the basic financial statements.

**LORAIN COUNTY PORT AUTHORITY  
(A COMPONENT UNIT OF LORAIN COUNTY)  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**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 (Land Bank) 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 Land Bank 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 16. Separately issued financial statements can be obtained by contacting James Cordes, Lorain County Land Reutilization Corporation, 226 Middle Avenue 4<sup>th</sup> Floor, Elyria, OH 44035.

As of December 31, 2014, the Authority has a liability to the County in the amount of \$391,221 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.

**LORAIN COUNTY PORT AUTHORITY**  
**(A COMPONENT UNIT OF LORAIN COUNTY)**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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. For 2014, the Authority did not prepare a budget.

D. Cash, Cash Equivalents and Investments

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

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Buildings and building improvements are depreciated using the straight-line method for a period of 50 years. Machinery and Equipment with a value of \$15,000 or more are depreciated using the straight-line method over 15 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.

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

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the 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.

**LORAIN COUNTY PORT AUTHORITY  
(A COMPONENT UNIT OF LORAIN COUNTY)  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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.

I. Estimates

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

**2. ACCOUNTABILITY AND COMPLIANCE**

*Change in Accounting Principles*

For 2014, the Authority has implemented GASB Statement No. 69, “*Government Combinations and Disposals of Government Operations*” and GASB Statement No. 70, “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Authority.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Authority.

**3. 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 Authority’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority. The Authority does not have a policy for custodial credit risk.

Deposits - At December 31, 2014, the bank balance of the Authority’s deposits was \$269,362. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of December 31, 2014, \$19,362 of the Authority’s bank balance of \$269,362 was exposed to custodial credit risk as discussed above, while \$250,000 was covered by Federal Deposit Insurance Corporation.

**LORAIN COUNTY PORT AUTHORITY  
(A COMPONENT UNIT OF LORAIN COUNTY)  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Investments**

As of December 31, 2014, the Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity Less Than One Year
First American Government Obligation Fund	\$2,503,261	\$2,503,261

**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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**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk.

**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.

**4. 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.

**5. BOND FUND PROGRAM**

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

The State of Ohio Department of Development (ODOD) awarded the Authority a grant of \$1,000,000, received in April 2003, which was deposited into the Bond Fund Program Reserve account. The conditional grant from ODOD is for 20 years, with the interest earned on the fund remitted back to ODOD through December 2012. Beginning 2013 and continuing through December 2023, 50 percent of the interest earned is required to be remitted back to ODOD. In December 2001, the Authority received a \$1,500,000 grant from Lorain County for the Bond Fund Program, which was also deposited into the Bond Fund Program Reserve account.

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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 \$2,503,261 at December 31, 2014 and are reflected in the Statement of Net Position.

**6. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 01/01/2013	Intra-Entity Transfers	Additions	Deletions	Balance 12/31/2014
Capital Assets, Not Being Depreciated:					
Land	\$350,482	\$111,080	\$107,126	\$0	\$568,688
Total Capital Assets, Not Being Depreciated	350,482	111,080	107,126	0	568,688
Capital Assets, Being Depreciated:					
Buildings	1,241,518	528,608	422,498	0	2,192,624
Building Improvements	317,532	0	0	0	317,532
Vehicle	31,789	0	0	0	31,789
Total Capital Assets, Being Depreciated	1,590,839	528,608	422,498	0	2,541,945
Less Accumulated Depreciation:					
Buildings	(122,847)	0	(31,753)	0	(154,600)
Building Improvements	(20,090)	0	(6,274)	0	(26,364)
Vehicle	(3,179)	0	(6,358)	0	(9,537)
Total Accumulated Depreciation	(146,116)	0	(44,385)	0	(190,501)
Total Capital Assets, Being Depreciated, net	1,444,723	528,608	378,113	0	2,351,444
Total Capital Assets, net	\$1,795,205	\$639,688	\$485,239	\$0	\$2,920,132

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**7. CAPITAL LEASES**

The Authority entered into a lease agreement for a maintenance truck in 2014. This lease meets the criteria of a capital lease as defined by GASB 62. Accordingly, this lease has been recorded at the present value of its future minimum lease payments, as of the inception date.

	Year Ending December 31,	Vehicles
	2015	\$11,750
	2016	7,834
Total minimum lease payments		19,584
Less: Amount representing interest		(2,003)
Present value of net minimum lease payments		<u>\$17,581</u>

**8. RELATED PARTY ACTIVITY**

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

**9. LETTER OF CREDIT**

On June 27, 2008, the Authority entered into an agreement to increase their Letter of Credit with Lorain National Bank from three million dollars to eight million dollars. The purpose of the Letter of Credit is to supplement the reserves available in the Program Reserve Fund and enable the Authority to issue additional series of bonds under the indenture to finance costs of projects and promote the creation and preservation of jobs and employment opportunities within the County. 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, 2014, the Authority has not used the LNB 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.

**10. DEFINED BENEFIT PENSION PLANS**

**A. Public Employees Retirement System**

All employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), which administers three separate pension plans as described below:

1. The Traditional Pension Plan – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan– a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

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3. The Combined Plan – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local division may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2014 member contributions rates were 10.00% for members in state and local classifications. Public safety and law enforcement members contributed 12.00% and 13.00% respectively.

The 2014 employer contribution rate for state and local employers was 14.00% of earnable salary. The law enforcement and public safety division employer contribution rate was 18.10% of earnable salary.

The Authority's contributions for pension obligations to OPERS for the years ending December 31, 2014, the second year for contributions, and 2013, were \$4,071 and \$2,242, respectively. For 2014, 95.41% has been contributed, with the balance being reported as an intergovernmental payable. The full amount for 2013 has been contributed.

## **11. POST EMPLOYMENT BENEFITS**

### ***A. Public Employees Retirement System***

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 defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. 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. 45.

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The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS at 277 East Town Street, Columbus, OH 43215-4642 or calling 614-222-5601 or 1-800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to the OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.00% of earnable salary, and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommend by the OPERS actuary. The OPERS Board of Trustees 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 Authority's actual contributions for the years ending December 31, 2014, the second year for contributions, and 2013, were \$555 and \$172, respectively. For 2014, 95.41% has been contributed, with the balance being reported as an intergovernmental payable. The full amount for 2013 has been contributed.

**12. CONDUIT DEBT**

The Authority has issued revenue bonds and certificates of participation to provide financial assistance to governmental and non-profit entities for the acquisition and construction of facilities deemed to be in the public interest. The Authority is not obligated in any manner for repayment of the bonds or certificates of participation. Accordingly, a liability is not reported in the accompanying financial statements. However, the issuance of such conduit debt supports the Authority's purpose and drives local economic development. The aforementioned issuance of conduit debt also produces additional revenues for the Authority.

As of December 31, 2014, revenue bonds were outstanding from the Authority's Program Bond fund with an original issue amount of \$2,365,000 of which \$1,500,000 remain outstanding as of December 31, 2014. However, the Authority's total remaining reserve dollars from the Letter of Credit are \$6,450,000 or approximately 300.0% of the outstanding bonds.

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In August 2014, the Authority issued revenue bond anticipation notes to repay year 2013 BANs and provide ongoing match funds to Lorain County Land Reutilization Corp. 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 Authority is not obligated in any manner for repayment of the notes. However, a liability equal to the conduit 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 conduit 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.

As of December 31, 2014, the conduit debt-revenue bond anticipation notes were outstanding with an original issue amount of \$2,746,814 all of which remains outstanding as of December 31, 2014.

**13. 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.

**14. SUBSEQUENT EVENTS**

Subsequent events were evaluated by management through the date of the “Independent Auditor Report,” the date on which the financial statements were available to be issued. There were no events requiring disclosure.

**15. 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, 2014, the outstanding balance was \$391,221.

Loan payable activity for the year ended December 31, 2014, was as follows:

	Balance 01/01/2014	Additions	Deletions	Balance 12/31/2013
Loan Payable	\$391,221	\$3,060	(\$3,060)	\$391,221

**16. LORAIN COUNTY LAND REUTILIZATION CORPORATION**

**A. 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.

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**16. LORAIN COUNTY LAND REUTILIZATION CORPORATION (Continued)**

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.

**B. 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.

***1. 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.

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**16. LORAIN COUNTY LAND REUTILIZATION CORPORATION (Continued)**

**2. 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:

**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 State grant revenues.

**3. 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.

**4. 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.

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**16. LORAIN COUNTY LAND REUTILIZATION CORPORATION (Continued)**

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.

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 2014, 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.

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**16. LORAIN COUNTY LAND REUTILIZATION CORPORATION (Continued)**

**5. *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 2014, the Board of Directors did not adopt an annual budget during the fiscal year.

**6. *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 and investment pool holds the Corporation's cash and investments, which are 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 Patrick Metzger, Director, 226 Middle Avenue 4<sup>th</sup> Floor, Elyria, OH 44035.

**7. *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.

**8. *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 2014.

**9. *Accrued Liabilities***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. The Corporation did not have any accrued liabilities or long-term obligations in 2014.

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.

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**16. LORAIN COUNTY LAND REUTILIZATION CORPORATION (Continued)**

**10. 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.

***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.

**11. 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.

**12. 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.

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**16. LORAIN COUNTY LAND REUTILIZATION CORPORATION (Continued)**

**13. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The Corporation had no extraordinary items in 2014. Special items are transactions or events that are within the control of the Corporation Administration and that are either unusual in nature or infrequent in occurrence.

**14. 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.

**C ACCOUNTABILITY AND COMPLIANCE**

***Change in Accounting Principles***

For 2014, the Corporation has implemented GASB Statement No. 69, “*Government Combinations and Disposals of Government Operations*” and GASB Statement No. 70, “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Corporation.

**D Receivables**

Receivables at December 31, 2014 consisted of funds due from the Lorain County Treasurer, which are presented as intergovernmental receivables. 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, 2014**

**16. LORAIN COUNTY LAND REUTILIZATION CORPORATION (Continued)**

**E Capital Assets**

Capital assets activity for the year ended December 31, 2014 was as follows:

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$86,690	\$24,390	(\$111,080)	\$0
Total Capital Assets, Not Being Depreciated	86,690	24,390	(111,080)	0
Capital Assets, Being Depreciated:				
Buildings and Improvements	533,050	0	(533,050)	0
Total Capital Assets, Being Depreciated	533,050	0	(533,050)	0
Less Accumulated Depreciation:				
Buildings and Improvements	(4,442)	0	4,442	0
Total Accumulated Depreciation	(4,442)	0	4,442	0
Total Capital Assets, Being Depreciated, net	528,608	0	(528,608)	0
Governmental Activities Capital Assets, net	\$615,298	\$24,390	(\$639,688)	\$0

The Capital Assets were transferred to the Authority and are presented as “loss on intra-entity capital asset transfers” on the Statement of Activities.

**F 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, 2014, the Corporation recognized revenues of \$748,037 for these fees that were collected by the County in 2014.

**G Litigation**

Litigation for the Corporation persisted until late 2014, when this action was dropped by the attorney for the plaintiff’s estate. In any case, the Corporation’s position was that it ought to have been removed as a defendant because it was inappropriately named in the suit. Nevertheless, the point as to materiality is moot since the action has ceased.

**LORAIN COUNTY PORT AUTHORITY  
(A COMPONENT UNIT OF LORAIN COUNTY)  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**16. LORAIN COUNTY LAND REUTILIZATION CORPORATION (Continued)**

**H Management Agreement and Activities**

Effective May 25, 2012, the Corporation entered into a three year Management Agreement with Lorain County Port Authority (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. During 2014, the Corporation paid \$50,840 in administration fees to the Authority.

In November 2014, the Authority issued a \$2,700,000 revenue bond anticipation notes to provide financial assistance to the Corporation to pay the costs of acquiring real property and interests therein for the purpose of reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, or other such real property within Lorain County. The notes mature in November 2015. The Authority is not obligated in any manner for repayment of the notes. However, a liability equal to the conduit debt along with a corresponding receivable from the Corporation responsible for its ultimate repayment is reported in the Authority’s financial statements. An accounts payable has been reported on the Corporation’s financial statements.

**I 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 2014, the Corporation contracted with Allied World Assurance Co Holding Ltd. for various types of insurance as follows:

<u>Type</u>	<u>Coverage</u>
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 year. The Corporation did not have insurance coverage for these risks in the previous two years.

**J Subsequent Events**

The Corporation has evaluated subsequent events through the date of the “Independent Auditor Report,” the date on which the financial statements were available to be issued. There were no events requiring disclosure.

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# Dave Yost • Auditor of State

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

Lorain 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, 2014, 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 25, 2015.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Findings***

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



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

June 25, 2015

**LORAIN COUNTY PORT AUTHORITY  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness – Financial Reporting**

Sound financial reporting is the responsibility of the Authority and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following deficiencies were identified:

- Authority Intergovernmental revenue of \$377,565 was improperly reported as Grants revenue.
- Authority Special Assessment revenue of \$65,867 was improperly reported as Taxes revenue.
- Lorain County Land Reutilization Corporation (the Corporation) Intergovernmental revenue of \$611,198 was improperly reported as Authority Intergovernmental Revenue. This overstated Authority Intergovernmental Revenue and Cash by \$611,198.
- Authority Component Unit, Corporation Accounts Payable were understated by \$25,199.
- Authority Component Unit, Corporation Capital Contributions were understated by \$24,390.
- Authority Component Unit, Corporation Intra-Entity Transfer of Capital Assets of \$(639,688) was improperly reported as part of Total Net Position, Beginning of Year.

The financial statements and accounting records were adjusted by the Authority for these errors. Also, the cash flow statement was revised significantly and resubmitted for audit by the compiler after the financial statements were originally submitted. The original cash flow statement included estimated amounts for certain line items. This resulted in additional audit time.

The Authority acted as the fiscal agent for the Corporation. The Corporation receipts were deposited into the Authority's checking account resulting in the inability to separate the Corporation's transactions from Authority's transactions within the accounting system.

Failure to separate the financial activity of the Corporation and the Authority as well as adopting policies and procedures for controls over recording of financial transactions and financial reporting contributed to these misstatements.

We recommend all Authority transactions be processed through bank accounts distinct from the Corporation so a separate accounting system can be maintained for the Authority. Additionally, we recommend the Authority adopt policies and procedures for controls over the recording of financial transactions into proper account codes within the Authority accounting system, and over financial reporting including reconciliations to increase assurance the information accurately reflects the activity of the Authority; thereby, increasing the reliability of the financial data.

**Officials' Response**

The LCPA has done its best to separate accounts, income and expenditure lines as well as maintain a structure that avails itself to tracking any dollars that are allocated to various programs. The State Auditor year 2013 audit made recommendation that the LCPA create physical and maintain separate accounts to differentiate land bank and port authority transactions. We followed this recommendation and had, as of the latter part of 2014 some residual transactions. Being as audit recommendations are off-set from the calendar year some LCPA accounting still rested on a single physical account, while tracking in great detail all separate program line transactions.

LORAIN COUNTY PORT AUTHORITY  
LORAIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Investment Requirements – Material Noncompliance	No	Partially corrected; included in management letter

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# Dave Yost • Auditor of State

**LORAIN COUNTY PORT AUTHORITY**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 9, 2015**