



**LORAIN COUNTY PORT AUTHORITY
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

**LORAIN COUNTY PORT AUTHORITY
LORAIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors
Lorain County Port Authority
Lorain County
216 Third Street
Elyria, Ohio 44035

We have audited the accompanying basic financial statements of the Lorain County Port Authority, Lorain County, Ohio, (the Port Authority), a component unit of Lorain County, Ohio, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lorain County Port Authority, Lorain County, Ohio, as of December 31, 2004, a component unit of Lorain County, Ohio, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2005, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

May 10, 2005

**LORAIN COUNTY PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(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, 2004. The information contained in this MD&A should be considered in conjunction with the information contained in the Authority's financial statements.

FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis of accounting. The Authority is structured as a single business-type activity with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. The following statements are included:

Statement of Net Assets – presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 Assets - presents information showing how the Authority's net assets changed during the most recent year. All changes in net assets 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.

FINANCIAL POSITION

The following represents the Authority's financial position for the years ended December 31, 2004 and December 31, 2003:

| | <u>2004</u> | <u>2003</u> |
|---|--------------------|--------------------|
| ASSETS: | | |
| Cash and Cash Equivalents | \$38,370 | \$32,799 |
| Restricted Assets | 2,530,503 | 2,525,284 |
| Total Assets | <u>\$2,568,873</u> | <u>\$2,558,083</u> |
| LIABILITIES: | | |
| Intergovernmental Payable | \$148,055 | \$147,550 |
| Total Liabilities | <u>148,055</u> | <u>147,550</u> |
| NET ASSETS: | | |
| Restricted - Bond Fund Program Reserves | 2,530,503 | 2,525,284 |
| Unrestricted | (109,685) | (114,751) |
| Total Net Assets | <u>2,420,818</u> | <u>2,410,533</u> |
| Total Liabilities and Net Assets | <u>\$2,568,873</u> | <u>\$2,558,083</u> |

**LORAIN COUNTY PORT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

2004 was the third year of operations for the Authority. Restricted Assets and Restricted Net Assets represents grant monies 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.

“Intergovernmental Payables” represents the cumulative operating costs incurred by the Authority that have been paid by Lorain County along with interest earnings on the restricted bond program reserves granted by the County and State of Ohio. In addition, the County and the Authority shared the expenses that were incurred in order to secure a County Guaranty (a pledge of non-tax revenue dollars to secure the financing) for the Lorain County Visitor’s Bureau project. All other legal fees were paid out of the transaction proceeds. It is anticipated that the Authority will repay the County for the cumulative costs as its operations improve.

The following represents the Authority’s summary of changes in net assets:

| | 2004 | 2003 |
|-----------------------------------|--------------------|--------------------|
| Operating Revenues | \$41,103 | \$35,318 |
| Operating Expenses | (30,856) | (25,419) |
| Operating Income (Loss) | 10,247 | 9,899 |
| Non-Operating Revenues (Expenses) | 38 | 63 |
| Increase in Net Assets | 10,285 | 9,962 |
| Net Assets, Beginning of Year | 2,410,533 | 2,400,571 |
| Net Assets, End of Year | <u>\$2,420,818</u> | <u>\$2,410,533</u> |

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

- Operating Revenues increased approximately \$5,000 from 2003 due mainly to the first annual installment payment of \$12,500 from a shared bond project with the Toledo-Lucas County Port Authority.
- Operating Expenses increased approximately \$5,000 due to the design, development and launch of the Lorain County Port Authority’s website (www.lcportauthority.org).

Due to a slower than expected economy and limited financial resources available to the Lorain County Port Authority, growth has been below expectations. Growth is expected to increase significantly through a recent cooperative agreement between the Lorain County Port Authority and the Cleveland-Cuyahoga County Port Authority. This agreement will give the Lorain County Port Authority the ability to utilize the \$20 million bond reserve in addition to assistance from the Cleveland-Cuyahoga County Port Authority to fund expansion and attraction projects within Lorain County.

The Authority continues to receive applications and associated application fees from various companies. These applications are generating future activity for the growth of the Authority.

**LORAIN COUNTY PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)**

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: Mr. Ronald F. Twining, Director, Lorain County Port Authority, 216 Third Street, Elyria, OH 44035.

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Lorain County Port Authority
Statement of Net Assets - Proprietary Fund
As of December 31, 2004

Assets

Current Assets:

Cash and Cash Equivalents \$38,370

Noncurrent Assets:

Restricted Bond Fund Program Reserves 2,530,503

Total Assets 2,568,873

Liabilities

Current Liabilities

Intergovernmental Payable 148,055

Total Liabilities 148,055

Net Assets

Restricted - Bond Fund Program Reserves 2,530,503

Unrestricted (109,685)

Total Net Assets \$2,420,818

See Notes to the Basic Financial Statements.

Lorain County Port Authority
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund
For the Year Ended December 31, 2004

| | |
|---|--------------------|
| Operating Revenue | |
| Administrative Fee | \$31,750 |
| CVB-Other Monthly Fees | 9,353 |
| | <hr/> |
| Total Operating Revenue | 41,103 |
| | <hr/> |
| Operating Expenses | |
| Professional Services | 26,746 |
| Insurance | 125 |
| Supplies | 16 |
| Trustee Fees | 2,400 |
| Advertising | 808 |
| Other | 761 |
| | <hr/> |
| Total Expenses | 30,856 |
| | <hr/> |
| Operating Income | 10,247 |
| Non-Operating Revenues (Expenses) | |
| Interest Income | 21,227 |
| Interest Payment to State/County | (21,189) |
| | <hr/> |
| Total Non-Operating Revenues (Expenses) | 38 |
| | <hr/> |
| Change in Net Assets | 10,285 |
| Total Net Assets, Beginning of Year | 2,410,533 |
| | <hr/> |
| Total Net Assets, End of Year | <u>\$2,420,818</u> |

See Notes to the Basic Financial Statements.

Lorain County Port Authority
Statement of Cash Flows - Proprietary Fund
For the Year Ended December 31, 2004

Cash Flow From Operating Activity

| | |
|---|-----------------|
| Cash Received from Customers | \$41,103 |
| Cash Payments to Suppliers for Goods and Services | <u>(30,856)</u> |

| | |
|---|---------------|
| Net Cash Provided by Operating Activities | <u>10,247</u> |
|---|---------------|

Cash Flow From Investing Activities

| | |
|-------------------|-----------------|
| Interest Received | 21,226 |
| Interest Paid | <u>(20,683)</u> |

| | |
|---|------------|
| Net Cash Provided by Investing Activities | <u>543</u> |
|---|------------|

| | |
|---|--------|
| Net Increase in Cash and Cash Equivalents | 10,790 |
|---|--------|

| | |
|--|------------------|
| Cash and Cash Equivalents, Beginning of Year (Includes Restricted Bond Fund Program Reserves) | <u>2,558,083</u> |
|--|------------------|

| | |
|--|---------------------------|
| Cash and Cash Equivalents, End of Year (Includes Restricted Bond Fund Program Reserves) | <u><u>\$2,568,873</u></u> |
|--|---------------------------|

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

| | |
|------------------|-----------------|
| Operating Income | <u>\$10,247</u> |
|------------------|-----------------|

| | |
|---|------------------------|
| Net Cash Provided by Operating Activities | <u><u>\$10,247</u></u> |
|---|------------------------|

See Notes to the Basic Financial Statements.

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LORAIN COUNTY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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. The initial Board is serving staggered terms. Each successor 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.

The Authority's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "The Reporting Entity". The financial statements include all divisions and operations for which the Authority 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 Authority itself is included in the financial reporting entity.

As of December 31, 2004, the Authority has a liability to the County in the amount of \$126,866 for past operating advances. Under GASB Statement No. 14, 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.

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 business-type activities. The Authority applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

LORAIN COUNTY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Operating revenues and expenses generally result from providing services in connection with principal ongoing operations of the Authority. Operating revenues consist of application fees and administrative fees. Operating expenses include professional services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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. 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. **CASH, CASH EQUIVALENTS 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.

Public depositories must give security for all public funds on deposit. These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

LORAIN COUNTY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

2. **CASH AND CASH EQUIVALENTS (Continued)**

Deposits - At December 31, 2004, the carrying amount of the Authority's deposits was \$38,370 and the bank balance of the Authority's deposits was \$41,217. Federal Depository Insurance covered the entire bank balance.

Investments – The Bond Fund Program Reserves are invested in an open-end money market fund, which are not evidenced by securities and are not subject to custodial credit risk. The money market fund has a carrying value and fair value of \$2,530,503 at December 31, 2004.

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. In December 31, 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.

LORAIN COUNTY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

4. **BOND FUND PROGRAM (Continued)**

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.

Amounts held in the Authority's Bond Fund Program Reserve was \$2,530,503 at December 31, 2004 and are reflected in the Statement of Net Assets.

5. **RELATED PARTY ACTIVITY**

The Authority utilizes certain Lorain County employees without reimbursement and the Director of the Authority is also a member of the Board.



**Auditor of State
Betty Montgomery**

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

Board of Directors
Lorain County Port Authority
Lorain County
216 Third Street
Elyria, Ohio 44035

We have audited the financial statements of the Lorain County Port Authority, Lorain County, Ohio (the Port Authority), a component unit of Lorain County, Ohio, as of and for the year ended December 31, 2004, and have issued our report thereon dated May 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Port Authority's management dated May 10, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the Port Authority's management dated May 10, 2005, we reported a matter related to noncompliance we deemed immaterial.

Lorain County Port Authority
Lorain County
Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and the Board of Directors. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 10, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JUNE 28, 2005**