



OHIO AUDITOR OF STATE
KEITH FABER



**LORAIN COUNTY LAND REUTILIZATION CORPORATION
LORAIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Lorain County Land Reutilization Corporation
Lorain County
226 Middle Avenue, 4th Floor
Elyria, Ohio 44035

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Lorain County Land Reutilization Corporation, Lorain County, Ohio, (the Corporation), a component unit of the Lorain County Port Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Corporation'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 Corporation'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 Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Lorain County Land Reutilization Corporation, Lorain County, Ohio, as of December 31, 2019, and the respective changes in financial position 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 August 31, 2020, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

August 31, 2020

LORAIN COUNTY LAND REUTILIZATION CORPORATION
(A COMPONENT UNIT OF LORAIN COUNTY PORT AUTHORITY)
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

The following Management's Discussion and Analysis (MD&A) of the Lorain County Land Reutilization Corporation (the Corporation) financial performance provides an introduction to the financial statements for the year ended December 31, 2019. The information contained in this MD&A should be considered in conjunction with the information contained in the Corporation's financial statements.

Financial Highlights

- At December 31, 2019, the Statement of Net Position assets of the Corporation exceeded the liabilities by 6,013,576.
- Total net position for 2019 increased by \$989,411 from 2018. Total net position for 2018 increased by \$1,277,803 from 2017.
- The Corporation's total revenues on the Statement of Activities amounted to \$2,383,861, excluding special items, in 2019, of which \$2,354,741 or 98.8% were program revenues and \$29,120 or 1.2% were general revenues.
- The Corporation had \$582,683 in total expenses compared to \$993,153 in 2018.

Using this Annual Financial Report

This annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand the Corporation as a financial whole.

The Statement of Net Position and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire Corporation and present a longer-term view of the Corporation's finances. The Corporation has no long term assets.

Reporting the Corporation as a Whole

Statement of Net Position and Statement of Activities

These government-wide statements answer the question, "How did the Corporation as a whole do financially during 2019? They are prepared on the accrual basis of accounting, including all assets and liabilities, much the same way as for a private enterprise. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Corporation's net position and the changes in the net position. This change in net position is important as it tells the reader that, for the Corporation as a whole, the financial position of the Corporation has improved or diminished. However, in evaluating the overall position of the Corporation, nonfinancial information such as the condition of the Corporation's needs will also need to be evaluated.

The Statement of Net Position. This Statement (page 7) reports all assets and liabilities of the Corporation as of December 31, 2019. The difference between total assets and total liabilities is reported as net position. Increases in net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.

The Statement of Activities. This Statement (page 8) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Corporation for the year ended December 31, 2019. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expenses of the Corporation's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

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MANAGEMENT’S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

In the Statement of Net Position and the Statement of Activities, the Corporation has one kind of activity:

Governmental Activities – All of the Corporation’s programs are reported here. These programs will be funded primarily by delinquent property taxes collected and intergovernmental revenue including Federal grants.

Reporting the Corporation’s Most Significant Funds

Fund Financial Statements

These statements provide financial position and results of the Corporation’s major fund. The Corporation’s only major governmental fund is the General Fund. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds. The Corporation has only governmental funds.

- **Governmental Funds.** Governmental funds are used to account for “Government-Type” activities. However, unlike the government-wide financial statements, governmental fund statements use a “flow of financial resources” measurement focus. The governmental fund statements provide a detailed short-term view of the Corporation’s general government operations and the basic services it provides. Increases in spendable resources are reported in the operating statement as “revenues” or “other financing sources”. Decreases in spendable resources are reported as “expenditures” or “other financing uses”. Delinquent Real Estate tax receipts finance most of those activities.

The Basic Governmental Fund Financial Statements can be found on pages 9 through 12 of this report.

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 13 of this report.

The Corporation as a Whole

Recall the Statement of Net Position looks at the Corporation as a whole. Table 1 provides a summary of the Corporation’s net position for 2019.

**Table 1
Lorain County Land Reutilization Corporation
Net Position**

| | 2019 | 2018 |
|-------------------------|--------------|-------------|
| ASSETS: | | |
| Current Assets | \$10,413,649 | \$9,522,709 |
| Total Assets | 10,413,649 | 9,522,709 |
| LIABILITIES: | | |
| Current Liabilities | 855,073 | 788,544 |
| Non-Current Liabilities | 3,545,000 | 3,710,000 |
| Total Liabilities | 4,400,073 | 4,498,544 |
| NET POSITION: | | |
| Unrestricted | 6,013,576 | 5,024,165 |
| Total Net Position | \$6,013,576 | \$5,024,165 |

LORAIN COUNTY LAND REUTILIZATION CORPORATION
(A COMPONENT UNIT OF LORAIN COUNTY PORT AUTHORITY)
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

During 2019, the Corporation's overall financial position increased by \$989,411. The increase was due mainly to total expenditures being lower than total revenues.

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

Table 2
Changes in Net Position

| | 2019 | 2018 |
|--|-------------|-------------|
| Program Revenues | | |
| Charges for Services and Sales | \$0 | \$3,650 |
| Operating Grants and Contributions | 2,354,741 | 2,159,287 |
| General Revenues | | |
| Interest Income | 12,156 | 211 |
| Miscellaneous | 16,964 | 69,613 |
| Total Revenues | 2,383,861 | 2,232,761 |
| Program Expenses | | |
| Professional and Contract Services | 119,258 | 141,799 |
| Program Administration | 141,781 | 153,385 |
| Project Activities | 222,321 | 556,060 |
| Repairs & Maintenance | 5,872 | 5,111 |
| Utilities | 3,459 | 16,756 |
| Interest | 54,936 | 108,361 |
| Miscellaneous | 35,056 | 11,681 |
| Total Program Expenses | 582,683 | 993,153 |
| Special Items | | |
| Contributed Assets Held for Resale | | 80,694 |
| Gain on Sale of Assets Held For Resale | 10,965 | |
| Contribution of Capital | (629,087) | |
| Loss on Transfer/Disposal of Assets Held for Resale | (193,645) | (42,499) |
| Total Special Items | (811,767) | 38,195 |
| Increase in Net Position | 989,411 | 1,277,803 |
| Net Position, Beginning of Year | 5,024,165 | 3,746,362 |
| Net Position, End of Year | \$6,013,576 | \$5,024,165 |

The Corporation's revenues were \$2,383,861 and its expenses were \$582,683 for 2019. The main revenue sources are from the County Treasurer authorized by the Lorain County Board of Commissioners from a percentage of delinquent property taxes collected.

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

- Total Revenues increased \$151,100 from 2018 due mainly to receiving more Ohio Housing Finance Agency monies.
- Total Expenses, decreased \$410,470 from 2018. The decrease was due mainly to less project activities taking place.

**LORAIN COUNTY LAND REUTILIZATION CORPORATION
(A COMPONENT UNIT OF LORAIN COUNTY PORT AUTHORITY)
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

Debt

At the end of the current fiscal year, the Corporation had total debt outstanding of \$3,710,000. The project revenue bonds are covered by DRETAC/Corporation receipts and from the non-tax revenue funds of Lorain County.

| | | |
|-----------------------|-------------------------|--------------|
| | Outstanding Debt | |
| | Governmental Activities | |
| | <u>2019</u> | <u>2018</u> |
| Project Revenue Bonds | \$ 3,710,000 | \$ 3,865,000 |

In 2017, the Lorain County Port Authority issued and sold \$4,000,000 in bonds for the benefit of the Corporation. The purpose of the bonds is to facilitate the effective reutilization of nonproductive land situated within the boundaries of Lorain County by the Corporation and the payment of the costs of issuance related thereto. Due to the Lorain County Port Authority being the issuer of the bonds, the amount payable from the Corporation to the Lorain County Port Authority for payment on the bonds is presented on the Statement of Net Position as Due to Other Governments.

Request for Information

This financial report is designed to provide a general overview of the Lorain County Land Reutilization Corporation finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: James Cordes, Lorain County Land Reutilization Corporation, 226 Middle Avenue 4th Floor, Elyria, OH 44035.

Lorain County Land Reutilization Corporation
(A Component Unit of Lorain County Port Authority)
Lorain County
Statement of Net Position
December 31, 2019

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Current Assets: | |
| Cash and Cash Equivalents with Fiscal Agents | \$3,663,819 |
| Accounts Receivable | 1,500 |
| Intergovernmental Receivable | 1,444,177 |
| Assets Held for Resale | <u>5,304,153</u> |
| <i>Total Current Assets</i> | <u>10,413,649</u> |
| Liabilities | |
| Current Liabilities: | |
| Accounts Payable | 10,362 |
| Intergovernmental Payable - County | 643,396 |
| Due to Other Governments | 165,000 |
| Due to Other Governments-Accrued Interest | <u>36,315</u> |
| <i>Total Current Liabilities</i> | <u>855,073</u> |
| Noncurrent Liabilities: | |
| Due to Other Governments | <u>3,545,000</u> |
| <i>Total Noncurrent Liabilities</i> | <u>3,545,000</u> |
| <i>Total Liabilities</i> | <u>4,400,073</u> |
| Net Position | |
| Unrestricted | <u>6,013,576</u> |
| <i>Total Net Position</i> | <u><u>\$6,013,576</u></u> |

See accompanying notes to the basic financial statements.

Lorain County Land Reutilization Corporation
(A Component Unit of Lorain County Port Authority)
Lorain County
Statement of Activities
For the Year Ended December 31, 2019

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) |
|---|----------------|--------------------------------|------------------------------------|-------------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Revenue and Changes in Net Position |
| | | | | Governmental Activities |
| Governmental Activities: | | | | |
| Professional and Contract Services | \$119,258 | \$0 | \$532,114 | \$412,856 |
| Program Administration | 141,781 | 0 | 632,609 | 490,828 |
| Project Activities | 222,321 | 0 | 991,968 | 769,647 |
| Repairs & Maintenance | 5,872 | 0 | 26,201 | 20,329 |
| Utilities | 3,459 | 0 | 15,434 | 11,975 |
| Interest | 54,936 | 0 | 0 | (54,936) |
| Miscellaneous | 35,056 | 0 | 156,415 | 121,359 |
| <i>Total Governmental Activities</i> | <u>582,683</u> | <u>0</u> | <u>2,354,741</u> | <u>1,772,058</u> |
| General Revenues: | | | | |
| | | | | 12,156 |
| Interest Income | | | | 16,964 |
| Miscellaneous | | | | <u>29,120</u> |
| <i>Total General Revenues</i> | | | | |
| Special Items | | | | |
| | | | | 10,965 |
| Gain on Sale of Assets Held for Resale | | | | (629,087) |
| Contribution of Capital | | | | |
| Loss on Transfer/Disposal of Assets Held for Resale | | | | <u>(193,645)</u> |
| <i>Total General Revenues and Special Item</i> | | | | <u>(782,647)</u> |
| <i>Change in Net Position</i> | | | | 989,411 |
| <i>Net Position Beginning of Year</i> | | | | <u>5,024,165</u> |
| <i>Net Position End of Year</i> | | | | <u><u>\$6,013,576</u></u> |

See accompanying notes to the basic financial statements.

Lorain County Land Reutilization Corporation
(A Component Unit of Lorain County Port Authority)
Lorain County
Balance Sheet
Governmental Fund
December 31, 2019

| | General Fund |
|--|---------------------|
| Assets | |
| Cash and Cash Equivalents with Fiscal Agents | \$3,663,819 |
| Accounts Receivable | 1,500 |
| Intergovernmental Receivable | 1,444,177 |
| Assets Held for Resale | 5,304,153 |
| | <hr/> |
| <i>Total Assets</i> | <u>\$10,413,649</u> |
| | |
| Liabilities and Fund Balances | |
| Liabilities | |
| Accounts Payable | \$10,362 |
| Intergovernmental Payable | 643,396 |
| | <hr/> |
| <i>Total Liabilities</i> | <u>653,758</u> |
| | |
| Fund Balances | |
| Nonspendable | |
| Assets Held for Resale | 5,304,153 |
| Unassigned | 4,455,738 |
| | <hr/> |
| <i>Total Fund Balance</i> | <u>9,759,891</u> |
| | |
| <i>Total Liabilities and Fund Balance</i> | <u>\$10,413,649</u> |

See accompanying notes to the basic financial statements.

Lorain County Land Reutilization Corporation
(A Component Unit of Lorain County Port Authority)
Lorain County
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
December 31, 2019

Total Governmental Funds Balance \$9,759,891

*Amounts reported for governmental activities in the
statement of net position are different because*

Long-term liabilities, including due to other governments, are not due and payable in the
current period and therefore are not reported in the funds:

| | |
|---|-----------------|
| Due to Other Governments | (3,710,000) |
| Due to Other Governments-Accrued interest | <u>(36,315)</u> |

Net Position of Governmental Activities \$6,013,576

See accompanying notes to the basic financial statements.

Lorain County Land Reutilization Corporation
(A Component Unit of Lorain County Port Authority)
Lorain County
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2019

| | General Fund |
|--|---------------------------|
| Revenues: | |
| Intergovernmental | \$2,354,741 |
| Interest Income | 12,156 |
| Miscellaneous | 16,964 |
| <i>Total Revenues</i> | <u>2,383,861</u> |
| Expenditures: | |
| Professional and Contract Services | 119,258 |
| Program Administration | 141,781 |
| Project Activities | 222,321 |
| Repairs & Maintenance | 5,872 |
| Utilities | 3,459 |
| Other | 35,056 |
| Capital Outlay | 629,087 |
| Payment to Other Government | 192,551 |
| Interest Expense | 18,621 |
| <i>Total Expenditures</i> | <u>1,368,006</u> |
| <i>Excess of Revenues over Expenditures Before Special Items</i> | 1,015,855 |
| Special Items: | |
| Gain on Sale of Assets Held for Resale | 10,965 |
| Loss on Transfer/Disposal of Assets Held for Resale | <u>(193,645)</u> |
| <i>Net Change in Fund Balance</i> | 833,175 |
| <i>Fund Balance Beginning of Year</i> | <u>8,926,716</u> |
| <i>Fund Balance End of Year</i> | <u><u>\$9,759,891</u></u> |

See accompanying notes to the basic financial statements.

Lorain County Land Reutilization Corporation
(A Component Unit of Lorain County Port Authority)
Lorain County
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2019

| | |
|---|-------------------------|
| Net Change in Fund Balance - Total Governmental Fund | \$833,175 |
| <i>Amounts reported for governmental activities in the Statement of Activities are different because</i> | |
| Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | |
| Other Governments | 192,551 |
| In the Statement of Activities, interest is accrued on outstanding due to other governments, whereas in governmental funds, an interest expenditure is reported when due. | (36,315) |
| <i>Change in Net Position of Governmental Activities</i> | <u><u>\$989,411</u></u> |

See accompanying notes to the basic financial statements.

**LORAIN COUNTY LAND REUTILIZATION CORPORATION
(A COMPONENT UNIT OF LORAIN COUNTY PORT AUTHORITY)
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 – DESCRIPTION OF THE CORPORATION AND REPORTING ENTITY

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Basis of Presentation*

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

Government-wide Financial Statements

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

LORAIN COUNTY LAND REUTILIZATION CORPORATION
(A COMPONENT UNIT OF LORAIN COUNTY PORT AUTHORITY)
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

B. *Fund Accounting*

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

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

Governmental Funds

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

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

C. *Measurement Focus*

Government-wide Financial Statements

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

LORAIN COUNTY LAND REUTILIZATION CORPORATION
(A COMPONENT UNIT OF LORAIN COUNTY PORT AUTHORITY)
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Fund Financial Statements

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

D. *Basis of Accounting*

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

Revenues - Exchange and Non-Exchange Transactions

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

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.

LORAIN COUNTY LAND REUTILIZATION CORPORATION
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In 2019, the Corporation had no deferred outflows/inflows of resources.

Expenses/Expenditures

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

Federal Income Tax

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

E. *Budgetary Process*

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Board of Directors of the Corporation is required by their Code of Regulations to adopt an annual budget prior to the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required. For 2019, the Board of Directors adopted an annual budget prior to the beginning of the fiscal year.

F. *Cash, Cash Equivalents with Fiscal Agents*

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

G. *Assets Held for Resale*

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

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H. Capital Assets

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

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

All capital assets, excluding land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method for buildings over useful lives of fifty years. The Corporation had no capital assets in 2019.

I. Accrued Liabilities

All payables, accrued liabilities and non-current liabilities are reported in the government-wide financial statements. The Corporation had non-current liabilities in 2019.

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

J. Fund Balance

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

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

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

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.

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

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

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

K. *Net Position*

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

L. *Intergovernmental Revenue*

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

M. *Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. 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. The Corporation had special items in 2019, which include contribution of capital and a gain/loss on sale/disposal of assets held for resale.

N. *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.

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NOTE 3 – Receivables

Intergovernmental receivables at December 31, 2019 consisted of funds due from the Authority and the Ohio Housing Finance Agency. Allowance for doubtful accounts were not recorded because all receivables are expected to be collected.

NOTE 4 – Transactions with Lorain County

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation has been authorized by the Lorain County Board of Commissioners to receive 5% of all collections of delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County’s Delinquent Tax Assessment and Collection Tax (DTACT) fund and will be available for appropriation by the Corporation to fund operations. At December 31, 2019, the Corporation recognized revenues of \$887,600 for these fees that were collected by the County in 2019.

NOTE 5 – Management Agreement and Activities

Effective May 25, 2012, the Corporation entered into a three-year Management Agreement with the Authority. The Agreement’s term will renew for additional, successive one (1) year periods in perpetuity upon mutual consent of the parties. The Authority shall serve as the Management Company and shall assist the Corporation in the administration and execution of the Agreement and Plan entered into with the Lorain Board of County Commissioners, Lorain County, Ohio. The Authority shall act as the executive of the Corporation and will act under the direction of the Corporation as established by the Corporation Board through its Code of Regulation, other policies, and specific direction. During 2019, the Corporation paid \$26,477 in administration fees to the Authority.

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

NOTE 6 - Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, 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 three years.

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NOTE 7 – Debt

The following is a summary of the amount due to other governments for the year ended December 31, 2019:

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Due to Other Governments at January 1, 2019 | 3,865,000 |
| Principal Payments | <u>(\$155,000)</u> |
| Due to Other Governments at December 31, 2019 | <u><u>\$3,710,000</u></u> |

The following is a summary of the Corporation’s future debt service requirements as of December 31, 2019:

| Fiscal Year Ending <u>December 31:</u> | <u>Governmental Activities</u> | |
|--|---------------------------------|---------------------------|
| | <u>Due to Other Governments</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | 165,000 | 109,244 |
| 2021 | 170,000 | 105,943 |
| 2022 | 170,000 | 102,544 |
| 2023 | 170,000 | 99,143 |
| 2024 | 170,000 | 95,744 |
| 2025-2029 | 970,000 | 409,544 |
| 2030-2034 | 1,130,000 | 230,512 |
| 2035-2039 | 765,000 | 49,906 |
| Totals | <u><u>\$3,710,000</u></u> | <u><u>\$1,202,580</u></u> |

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

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NOTE 8 – Contingencies

A. Grants

The Corporation received financial assistance from a Federal agency in the form of a grant. The disbursement of funds received under this program generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the Corporation. However, the effect of any such disallowed claims on the overall financial position of the Corporation at December 31, 2019, if applicable, cannot be determined at this time.

B. Litigation

The Corporation is not party to any legal proceedings.

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OHIO AUDITOR OF STATE KEITH FABER



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615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

Lorain County Land Reutilization Corporation
Lorain County
226 Middle Avenue, 4th Floor
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 governmental activities and the General Fund of the Lorain County Land Reutilization Corporation, Lorain County, (the Corporation), a component unit of the Lorain County Port Authority, Lorain County, Ohio, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated August 31, 2020.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation'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 Corporation's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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 Corporation's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation'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*.

Corporation's Response to Findings

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Corporation's response to the auditing procedures applied in the audit of the financial statements 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 Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

August 31, 2020

**LORAIN COUNTY LAND REUTILIZATION CORPORATION
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019**

| |
|---|
| FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

1. Accounting and Financial Reporting

FINDING NUMBER 2019-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of the financial statements and notes of the Corporation. The Corporation improperly recorded \$629,087 in Capital Assets additions instead of recording Contribution of Capital to the Lorain County Port Authority. As a result, Depreciable Capital Assets were overstated by \$629,087 and Special Item-Contribution of Capital was understated by \$629,087, respectively. Management subsequently made the requisite corrections to the Corporation's financial statements, footnotes and accounting records.

The Corporation indicated this weakness was an oversight.

Failure to accurately classify financial statement transactions diminishes the effectiveness of management's monitoring and decision making throughout the year as well as the reliability of the financial data at year-end.

We recommend the Corporation implement and/or strengthen controls over financial reporting. The Corporation should contact an appropriate source for guidance if they have any uncertainty when classifying fund balance, receipts and expenditures. Further, the Corporation should evaluate its methods for posting financial transactions to help ensure the amounts are properly recorded on the Corporation's financial statements and notes to the financial statements and also perform a review of the financial statements and notes for completeness and accuracy.

Official's Response: In agreement with audit review findings, and in further review with our IPA, I believe that the imbalance of the Depreciable Capital Assets over the Special Item-Contribution of Capital has been corrected within the financial statement classifications not only for the purposes of this year's audit review, but also going forward. The requisite corrections by Management to the Corporation records should strengthen our effectiveness in correctly reporting financial data.

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OHIO AUDITOR OF STATE KEITH FABER



LORAIN COUNTY LAND REUTILIZATION CORPORATION

LORAIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/6/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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