

**CITY OF VERMILION
PORT AUTHORITY
ERIE COUNTY, OHIO**

Basic Financial Statements

**For the Year Ended
December 31, 2020**

**CITY OF VERMILION PORT AUTHORITY
ERIE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2020**

TABLE OF CONTENTS

Accountant's Compilation Report	2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements.....	11 - 14

Accountant's Compilation Report

To the City of Vermilion Port Authority Board of Directors
Vermilion, Ohio

Management is responsible for the accompanying basic financial statements of the City of Vermilion Port Authority, which comprise the statements listed in the table of contents as of December 31, 2020 and for the fiscal year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on the financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 6 be presented to supplement the basic financial statements. Although this information is not a part of the basic financial statements, the Governmental Accounting Standards Board considers it essential to placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Julian & Grube, Inc.

Westerville, Ohio
May 17, 2021

**CITY OF VERMILION PORT AUTHORITY
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

The discussion and analysis of the City of Vermilion Port Authority's (the "Port Authority") financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Port Authority's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position was \$1,006,835 at December 31, 2020. This represents an increase of \$36,702, or 3.78%, from December 31, 2019.
- During 2020, the Port Authority had operating revenues of \$201,351, operating expenses of \$156,193, resulting in operating income of \$45,158. Nonoperating revenues totaled \$10,000 and nonoperating expenses totaled \$18,456. Total change in net position for the year was an increase of \$36,702.

Using These Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Port Authority's financial activities. The *Statement of Net Position* and *Statement of Revenues, Expenses and Changes in Net Position* provide information about the activities of the Port Authority, including all short-term and long-term financial resources and obligations.

Reporting the Port Authority's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2020?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Port Authority's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the Port Authority as a whole, the *financial position* of the Port Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The Statement of Cash Flows provides information about how the Port Authority finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 9 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-14 of this report.

**CITY OF VERMILION PORT AUTHORITY
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below provides a summary of the Port Authority's net position at December 31, 2020 and 2019.

	Net Position	
	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets	\$ 80,266	\$ 60,519
Noncurrent assets:		
Capital assets, net	<u>1,837,678</u>	<u>1,832,424</u>
Total assets	<u>1,917,944</u>	<u>1,892,943</u>
<u>Liabilities</u>		
Current liabilities	667	12,368
Long-term liabilities	<u>910,442</u>	<u>910,442</u>
Total liabilities	<u>911,109</u>	<u>922,810</u>
<u>Net Position</u>		
Net investment in capital assets	927,236	909,795
Unrestricted	<u>79,599</u>	<u>60,338</u>
Total net position	<u><u>\$ 1,006,835</u></u>	<u><u>\$ 970,133</u></u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2020, the Port Authority's net position totaled \$1,006,835. A large portion of the Port Authority's net position, 92.09% reflects net investment in capital assets (e.g. land, land improvements, buildings, and equipment), less any related debt to acquire those assets that is still outstanding. The remaining balance of \$79,599 is classified as unrestricted net position, which allows it to be used to meet any of the Port Authority's ongoing obligations.

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**CITY OF VERMILION PORT AUTHORITY
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below shows the changes in net position for 2020 and 2019.

	<u>2020</u>	<u>2019</u>
<u>Operating revenues</u>		
Charges for service	\$ 172,818	\$ 161,685
Rent	210	-
Other	<u>28,323</u>	<u>25,943</u>
Total operating revenues	<u>201,351</u>	<u>187,628</u>
<u>Operating expenses</u>		
Personal services	72,080	72,588
Contract services	31,333	41,327
Materials and supplies	3,714	2,261
Depreciation	33,587	31,547
Other	<u>15,479</u>	<u>14,183</u>
Total operating expenses	<u>156,193</u>	<u>161,906</u>
Operating income	45,158	25,722
<u>Nonoperating revenues (expenses)</u>		
Intergovernmental grants	10,000	-
Interest expense	<u>(18,456)</u>	<u>(18,679)</u>
Total nonoperating revenues (expenses)	<u>(8,456)</u>	<u>(18,679)</u>
Change in net position	36,702	7,043
Net position at beginning of year	<u>970,133</u>	<u>963,090</u>
Net position at end of year	<u>\$ 1,006,835</u>	<u>\$ 970,133</u>

Revenues and expenses remained stable between 2020 and 2019. The Port Authority received a capital grant of \$10,000 in 2020 that was used to purchase equipment.

Capital Assets

At December 31, 2020, the Port Authority had \$1,837,678 (net of accumulated depreciation) invested in land, land improvements, buildings, and equipment.

The following table shows December 31, 2020 capital asset balances compared to December 31, 2019.

	<u>2020</u>	<u>2019</u>
Land	\$ 1,059,388	\$ 1,059,388
Land improvements	715,865	734,021
Buildings	59,135	35,303
Equipment	<u>3,290</u>	<u>3,712</u>
Total	<u>\$ 1,837,678</u>	<u>\$ 1,832,424</u>

See Note 4 to the basic financial statements for more detail on capital assets.

**CITY OF VERMILION PORT AUTHORITY
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

Debt Obligations

At December 31, 2020, the Port Authority had \$910,442 outstanding in long-term obligations due to the City. Of this amount, \$13,351 is due within one year.

See Note 5 to the basic financial statements for more detail on the Port Authority's long-term obligations.

Current Financial Related Activities

The Port Authority seeks to identify, restore, and redevelop properties and land in the City of Vermilion, and to identify and pursue other opportunities to promote economic development, transportation, and other statutorily authorized purposes of the Port Authority. The Port Authority has the ability to acquire, own, lease, sell, or construct improvements to property, issue revenue bonds for its facilities, receive federal and state grants, and cooperate with other governmental agencies.

Contacting the Port Authority's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Port Authority's finances for all interested parties. Questions and requests for additional information regarding this report should be addressed to the President, Vermilion Port Authority, PO Box 136, Vermilion, Ohio 44089.

**CITY OF VERMILION PORT AUTHORITY
ERIE COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

Assets:

Current assets:

Cash and cash equivalents	\$ 80,201
Accounts receivable	65
Total current assets	<u>80,266</u>

Noncurrent assets:

Capital assets:

Land	1,059,388
Capital assets, net	<u>778,290</u>
Total noncurrent assets	<u>1,837,678</u>
Total assets	<u>1,917,944</u>

Liabilities:

Current liabilities:

Accounts payable	523
Due to other governments	<u>144</u>
Total current liabilities	<u>667</u>

Long-term liabilities:

Notes payable - due within one year.	13,351
Notes payable - due in more than one year.	<u>897,091</u>
Total long-term liabilities.	<u>910,442</u>
Total liabilities	<u>911,109</u>

Net position:

Net investment in capital assets	927,236
Unrestricted	<u>79,599</u>
Total net position	<u><u>\$ 1,006,835</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF VERMILION PORT AUTHORITY
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

Operating revenues:	
Charges for service	\$ 172,818
Rent	210
Other	<u>28,323</u>
Total operating revenues	<u>201,351</u>
Operating expenses:	
Personal services	72,080
Contract services	31,333
Materials and supplies	3,714
Depreciation	33,587
Other	<u>15,479</u>
Total operating expenses	<u>156,193</u>
Operating income	45,158
Nonoperating revenues (expenses):	
Intergovernmental grants.	10,000
Interest expense	<u>(18,456)</u>
Total nonoperating revenues (expenses)	<u>(8,456)</u>
Change in net position	36,702
Net position at beginning of year	<u>970,133</u>
Net position at end of year	<u><u>\$ 1,006,835</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF VERMILION PORT AUTHORITY
ERIE COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

Cash flows from operating activities:

Cash received from charges for services	\$ 172,963
Cash received from other operating income	28,323
Cash payments for personal services	(71,936)
Cash payments for contract services	(31,514)
Cash payments for materials and supplies	(3,714)
Cash payments for other expenses	(14,956)
	<hr/>
Net cash provided by operating activities.	79,166

Cash flows from capital and related financing activities:

Cash received from grants	10,000
Acquisition of capital assets	(38,841)
Principal payments on notes	(12,187)
Interest payments on notes	(18,456)
	<hr/>
Net cash used in capital and related financing activities	(59,484)

Net increase in cash and cash equivalents 19,682

Cash and cash equivalents at beginning of year 60,519

Cash and cash equivalents at end of year \$ 80,201

**Reconciliation of operating income to net
cash provided by operating activities:**

Operating income	\$ 45,158
Adjustments:	
Depreciation	33,587
Changes in assets and liabilities:	
(Increase) in accounts receivable	(65)
Increase in accounts payable	342
Increase in due to other governments	144
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Net cash provided by operating activities	<u><u>\$ 79,166</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF VERMILION PORT AUTHORITY
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The City of Vermilion Port Authority (the "Port Authority") is a body politic and corporate established to promote, develop and advance the general welfare, commerce, and economic development of the City and its citizens, and to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority is directed by a five-member Board appointed by the Mayor of Vermilion. The Port Authority is a component unit of the City due to it being economically dependent on the City for operating subsidies. The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed by an ordinance of the Council of the City of Vermilion in February 1968 and the City acts as their fiscal agent.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Port Authority follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income and financial position. All transactions are accounted for in a single enterprise fund.

B. Fund Accounting

The Port Authority maintains a general operating fund to account for all financial resources. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

C. Budgetary Process

- **Budget** - Ohio Revised Code Section 4582.13, requires that each fund be budgeted annually. This budget includes estimated receipts and appropriations.
- **Encumbrances** - The Port Authority reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over and are not reappropriated.

D. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values on the date received. The Port Authority does not have a minimum capitalization threshold. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciated is computed using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Land Improvements	5 - 50 Years
Buildings	20 - 50 Years
Vehicles	5 - 25 Years
Equipment	5 - 15 Years

**CITY OF VERMILION PORT AUTHORITY
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Deposits and Investments

The investment and deposit of Port Authority moneys are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Port Authority to invest its moneys in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio), and obligations of the United States government and certain agencies thereof.

The Port Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public moneys on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Port Authority's name.

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. For 2020, all of the Port Authority's deposits were held by the City and part of their pooled cash and investments. All risks of the Port Authority's deposits are disclosed as part of the City's disclosure as the City is their fiscal agent.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2020, the Port Authority has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" to GASB Statement Nos. 87 and 89, which were originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncement is postponed by one year and the Port Authority has elected delaying implementation until the fiscal year ended December 31, 2021:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

The following pronouncements are postponed by eighteen months and the Port Authority has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

**CITY OF VERMILION PORT AUTHORITY
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 – CAPITAL ASSETS

As of December 31, 2020, the Port Authority owned land valued at \$1,059,388. In addition, depreciable capital assets are being reported as \$778,290 net of accumulated depreciation at year-end. Depreciation expense of \$33,587 was reported for 2020 with a total accumulated depreciation of \$724,480.

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

	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Capital assets, not being depreciated:				
Land	\$ 1,059,388	\$ -	\$ -	\$ 1,059,388
Total capital assets, not being depreciated	<u>1,059,388</u>	<u>-</u>	<u>-</u>	<u>1,059,388</u>
Capital assets, being depreciated:				
Land improvements	1,328,543	12,580	-	1,341,123
Buildings	90,437	26,261	-	116,698
Equipment	44,949	-	-	44,949
Total capital assets, being depreciated	<u>1,463,929</u>	<u>38,841</u>	<u>-</u>	<u>1,502,770</u>
Less: accumulated depreciation				
Land improvements	(594,522)	(30,736)	-	(625,258)
Buildings	(55,134)	(2,429)	-	(57,563)
Equipment	(41,237)	(422)	-	(41,659)
Total accumulated depreciation	<u>(690,893)</u>	<u>(33,587)</u>	<u>-</u>	<u>(724,480)</u>
Total capital assets being depreciated, net	<u>773,036</u>	<u>5,254</u>	<u>-</u>	<u>778,290</u>
Total capital assets, net	<u>\$ 1,832,424</u>	<u>\$ 5,254</u>	<u>\$ -</u>	<u>\$ 1,837,678</u>

NOTE 5 – LONG-TERM OBLIGATIONS

During 2000 and 2010, the Port Authority borrowed from the City with a collateralized bond. This \$910,442 bond is carrying an interest rate of 5.50% and \$13,351 is due within one year. This bond was used in the financing of acquiring, constructing, installing, equipping or improving "Port Authority facilities," as defined by Section 4582.01 of the Ohio Revised Code. This bond is a special obligation of the Port Authority, and the principal and interest on this bond are payable solely from "Available Monies" and are secured by a pledge of the "Pledged Revenues", all as defined and provided in the Resolution.

The long-term debt activity for the year ended December 31, 2020 was as follows:

	Balance at December 31, 2019	Additions	Deletions	Balance at December 31, 2020	Amount Due in One Year
Note Payable Due to City	\$ 922,629	\$ -	\$ (12,187)	\$ 910,442	\$ 13,351

The following is a summary of the Port Authority's future annual debt service requirements to the City:

Year Ended	Principal	Interest	Total
2021	\$ 13,351	\$ 18,213	\$ 31,564
2022	14,564	17,946	32,510
2023	15,831	17,654	33,485
2024	17,152	17,338	34,490
2025	18,530	16,995	35,525
2026 - 2030	115,442	78,821	194,263
2031 - 2035	159,623	65,580	225,203
2036 - 2040	555,949	42,344	598,293
Total	<u>\$ 910,442</u>	<u>\$ 274,891</u>	<u>\$ 1,185,333</u>

**CITY OF VERMILION PORT AUTHORITY
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 6 – RELATED PARTY TRANSACTIONS

As mentioned in Note 5, during 2000 and 2010, the Port Authority borrowed \$985,000 and \$71,538, respectively, from the City to acquire land and existing structures. The Port Authority provided a bond for this transaction and the City holds a lien on the property until the bond is repaid. The City holds this bond as an investment within the City's pooled investments. The bond has been partially repaid leaving a balance of \$910,442 outstanding as of December 31, 2020.

NOTE 7 – RISK MANAGEMENT

The Port Authority has obtained commercial crime and public officials' liability insurance from a major commercial insurance company. There has not been a significant reduction of coverage from the prior year and settled claims have not exceeded commercial coverage in any of the last three years.

NOTE 8 – LITIGATION

The Port Authority is involved in no material litigation as either plaintiff or defendant.

NOTE 9 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Port Authority. The Port Authority's investment portfolio and the pension and other employee benefits plan in which the Port Authority participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Port Authority's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.